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THE TIMES

Survey of the crisis facing the world steel industry, page 7

Mr Steel tells critics pact must stay to help nation

The special Liberal assembly next month will be told by Mr Steel, the party leader, that he will fight to retain the pact with Labour to help Britain through its economic troubles. If the conference rejected his strategy he would resign as leader.

Some Liberals fear a Labour 'hoodwink'

By George Clark
Political Correspondent
Mr David Steel, the Liberal leader, gave notice to his critics in his party yesterday that he intends to fight to retain the pact with Labour to help Britain through its economic troubles. If the conference rejected his strategy he would resign as leader.

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Concern at shortfall in government spending

By Melvyn Westlake

There is serious concern at the Treasury over the mounting evidence that government spending is again falling short of planned levels.

In an attempt to discover why this is happening and what the implications may be for the economy, the Treasury has begun having informal talks with spending departments.

New Whitehall estimates suggest that central government spending is running about 31 per cent below target on programmes covered by the new system of cash limits.

This is about the same order of underspending that occurred during the last financial year, which ended in March. If there is no change before next spring it could mean that the Treasury's estimate of £1,000m less than originally expected.

The reason for worrying about this trend is that, as a result of underspending, the Government's fiscal policy could be rather more restrictive than intended, thereby adding unnecessarily to unemployment.

However, it still remains unclear what is causing this to happen. Under the new system of cash limits, which was introduced for the first time in the financial year 1976-77 to cover about two thirds of public expenditure, the actual level of cash spending is set against spending priorities drawn up at the start of the year.

Because the system is so new, government departments have little experience of this new control system. There is some feeling within the Treasury that it may, in some cases, be the profiles that are wrong when spending falls short of expectation.

Alternatively, it may be that spending departments are being over-cautious in making cash outlays. There would, it appears, be no objection to some small underspending if this amounted to no more than 1 per cent or less of planned expenditure.

However, there is likely to be a concerted effort in the last few months of the present financial year to get the level of spending more closely in line with the expenditure plan.

Some concern about developments in this area also appears to be felt by officials at the Bank of England. The Bank observed in the latest Quarterly Bulletin, published last week, that the shortfall in expenditure in money terms may mask a rather larger real fall.

This is because when the cost of government purchases of goods and services is calculated in cash terms, a fall in the price level leads to a fall in the actual volume of such expenditure.

The Bulletin noted that fiscal policy seemed to be slightly tighter than planned.

Continued on page 15, col 2



President Kyprianou of Cyprus welcomes his son's safe return to Nicosia yesterday after his kidnappers had released him. Report, page 5.

Mr Begin offers Sinai withdrawal in return for a complete peace

From Patrick Brogan
Washington, Dec 18

Mr Menachem Begin, the Israeli Prime Minister, said here this morning that he would go to Egypt at the end of this week or early next week to meet President Sadat.

He said that the meeting would be fruitful if he has asked President Sadat to invite both of them to Washington, where they would discuss the proposals for a complete peace settlement.

Mr Begin, who was interviewed on television, did not give many details of the proposals, but he said that they were aimed at achieving a complete peace settlement.

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Israel proposes to give the Palestinians living on the West Bank self-rule, or autonomy. Mr Begin said that these terms, which he preferred himself, are the equivalent of self-determination. He suggested that whether the resulting government was called an entity, a homeland, or something else was a matter of semantics.

He offered no clarification of the international jurisdictional status of the West Bank under the arrangements he is proposing.

Israel wants the future autonomous West Bank to have close links with Jordan. He did not say whether King Husain has been informed of these proposals yet, but it is clear that he must be brought into the negotiating process soon if it is to have any success.

Mr Begin said that he was not sure whether Israel would specifically renounce any claim to sovereignty over the West Bank. This is a big concession by Mr Begin, who has often claimed that "Judea and Samaria" are part of the land of Israel. Israel would guarantee its security, presumably by keeping military posts along the Jordan, thus protecting itself at the same time.

Jews would continue to have the right to settle in the West Bank. Mr Begin said that Arabs from the West Bank would also have the right to settle in Israel. He said that he was convinced that the Arabs would live amicably together under such an arrangement.

As for East Jerusalem, he said that there might be a role for the holy shrines under their own religious authorities.

King meet, page 5
Leading article, page 13

Mrs Gandhi resigns from party executive

From Richard Wigg
Delhi, Dec 18

Mrs Gandhi, the former Indian Prime Minister, resigned today from the executive of the Congress Party, intensifying the struggle between rival factions since the party lost the general election last March under her leadership.

However, Mrs Gandhi said in her resignation letter to Mr Brahmananda Reddy, the party's president, that she intended to remain a party member. "In my view, remaining an ordinary member of the Congress Party will enable me to better serve our organization and our country and to fight for the causes and ideals we have held dear," she said.

Mrs Gandhi's move suggests that she is acting in stages with typical caution, testing the ground to see how today's step is received within the divided party. She has been under pressure from some of her more headstrong supporters to denounce the party leaders in an attempt to take the main following of the party with her.

Only yesterday, when she was asked to say whether she was going to resign from the party executive in a day or two, Mrs Gandhi had replied that it was not her intention to do so.

"I have always worked for unity. I am certainly not splitting anything. There are many people I have held back, but I cannot control the situation. It is not in my hands," she said.

King meet, page 5
Leading article, page 13

Miners force new look at bonuses

From Our Correspondent
Leeds, Dec 18

After a stormy meeting lasting two hours yesterday, the 1,000 miners and craftsmen at Solihull colliery agreed to return to work but only after Mr Michael McGahey, the Scottish miners' leader, agreed to call a special meeting of the Scottish executive of the National Union of Mineworkers to discuss their demand for a local productivity agreement.

The executive will meet in Edinburgh today, and that may be followed by a special delegate conference of the Scottish area later this week.

Mr McGahey was greeted by a mixture of loud boos and applause when he faced the men in a Leicestershire cinema. On strike since last Tuesday, the men demanded to know why they had been placed under a "wage freeze" by their own union at its delegate meeting a week ago, when it was decided to press for £135 a week for face workers and that an incentive scheme should be on an area basis.

They believe that a local productivity agreement at Solihull would mean an extra £30 a week, bringing a face worker's wage up to nearly £120.

After the meeting Mr McGahey said: "I have agreed to call the special meeting of the executive tomorrow to discuss the feelings of the Solihull men."

"At their conference yesterday the Scottish Colliery Craftsmen, Enginemen and Boilermakers' Association empowered their officials to enter negotiations for an incentive scheme. The Solihull men made it clear they want a local scheme. As a result there will almost certainly have to be a special delegate conference of the Scottish area, probably on Thursday."

He added that he was unaware of any other pits in Scotland wishing to negotiate local schemes.

Mr William Ewing, local union branch chairman, said: "The men are prepared to examine an area scheme, but only if it will give us the same money that a local one will; in other words, if Solihull is taken as the standard for the Scottish coalfield."

Airliner in sea off Funchal

Libson, Dec 18—A Swiss charter airliner with 57 people on board crashed in the sea as it approached the airport of Funchal in the Madeira islands for landing today in the second air disaster on the mid-Atlantic island in less than a month.

Airport spokesmen said hours were searching for survivors at the crash spot five miles out. The airliner, a Caravelle, was flying from Geneva for San, the Swiss charter company.

On November 19 a Portuguese TAP Boeing 727 overshoot the runway at Funchal killing 131 passengers and crew.

Funchal airport is considered one of the most dangerous in the world. Its main runway juts out over the Atlantic Ocean and is bounded on three sides by long drops into the sea and the fourth by mountainside. UPI

Too late to save Christmas bread supplies

By Christopher Thomas
Labour Reporter
The bakers' workers' overtime has because of a pay dispute looks certain to continue over the Christmas holiday.

Mr Samuel Maddox, general secretary of the Bakery, Food and Allied Workers' Union, said last night: "Even if they made us the greatest offer in the world it is too late to save Christmas supplies."

A new attempt to arrange a meeting between the union and employers will be made by the Advisory, Conciliation and Arbitration Service (Acas) today.

Mr Maddox said the action could be called off only by a ballot of the 57,000 members in England and Wales, and that could not be conducted in time for a settlement by Christmas. He urged housewives not to indulge in panic buying.

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Question mark over British reactor's use

A new assessment questions the suitability of British-designed advanced gas-cooled reactors for a third nuclear power station programme. They are said to take twice as long to build as predicted, their development has exceeded estimates by more than £1,000m, and they need redesigning to make them competitive.

Victoria Falls attack

Six people were injured, one seriously, when the Rhodesian border town of Victoria Falls was attacked by mortars from Zambia. A Rhodesian military communiqué said the attack, which lasted 25 minutes, was silenced by Rhodesian retaliatory fire.

'Union for officers'

The Society of Civil and Public Servants is examining the possibility of recruiting officers in the Armed Forces. It has told the TUC that it wishes to be consulted over any talks on the matter with the Government.

Reports of a power struggle in China

Reports of a power struggle in China are rife in both Taiwan and Hong Kong. Diplomats in Peking are, however, sceptical over reports of a split between chairman Hua and vice-chairman Teng. Observers believe that Mao's ideas of the past two decades are largely discounted by the new leadership.

Art-linked pensions

Unions are to be offered more say in the running of British Rail's £478m pension fund, which has been criticized for investing more than £11m in works of art that may now be worth less than the purchase price.

Miller saves England

England were 245 for six at the close of the fourth day of the first Test match against Pakistan at Lahore. This was in reply to Pakistan's first innings total of 407 for nine declared. Miller scored 71 not out.

Springboks call off tour of Britain

The South Africans have postponed indefinitely their rugby tour of Great Britain and Ireland proposed for next winter. The tour had been under threat for the last seven years since the Springboks' previous, disrupted visit in 1969.

Protest halts bishop

Protesters outside a new Gloucester church bested with sticks and missiles the Right Reverend Augustine Horrocks, bishop of the Ukrainian Catholic Church, and stopped him entering to perform the opening service. Several people were hurt in scuffles.

Skytrain: Big queues have built up for Laker Airways Christmas Skytrain services to New York

Buenos Aires: Argentine authorities blame guerrillas for kidnap of French nuns.

Tehran: Plea to Shah by general under sentence of death.

Leader page 13

Letters: On the Army's equipment, from Mr J. W. Jackson; on the British Rail pension fund, from Mr R. H. White; on the EEC elections, from Mr J. E. Haslam.

Leading articles: The steel industry; Middle East peace; Features, pages 6 and 12.

David Steel says Liberals must use the bonus the party has given them; Douglas Aislin charts the rise and fall of Mr Whitlam; Michael Leapsman goes looking for UFOs.

Brian Alderson on the Randolph Caldecott exhibition in Manchester; Gregory Martin on the Sir Thomas More exhibition at the National Portrait Gallery; Philippa Toosey reviews Silence Will Speak, by Errol Trzaskowski; concert notices by Joan Chissell and Paul Griffiths.

Air Chief Marshal Sir Ralph Cochrane; Mr Cyril Richard.

Sport, pages 8-10
Cricket: Simpson hits century for Australia in second Test against India; Football: Norman Fox discusses the draw for the third round of the FA Cup; Tennis: Susan Barker beaten by Evonne Cawley in final at Sydney.

Business News, pages 15-21
Financial Editor: A gift-ed Christmas; Dailymail: The logic looks impeccable...
Business features: Frank Vogel on the qualities that the next managing director of the International Monetary Fund will require; C. Freeman Allen on the West German railways in a financial straitjacket; Business Diary in Europe: Keeping advertisers at a safe distance from schools; Management: Parity: Phillips' plan; Distillers Company's two-tier price fight with the EEC Commission.

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HOME NEWS

Rail unions to have more say in running of pension fund which spent £11m on works of art

By Alan Hamilton

The railway unions are to be given more say in the management of British Rail's controversial pension fund, which has been criticised for investing more than £11m in works of art that may now be worth less than their purchase price.

Union leaders will shortly consider proposals by the British Railways Board that they should take a more active part, and in greater numbers, in the day-to-day management of the £47m fund, including taking part in subcommittees that buy and sell the investments, including paintings.

Some union leaders, including Mr David Bowman, outgoing president of the National Union of Railwaymen, and Mr Ray Buckton, general secretary of the Associated Society of Locomotive Engineers and Firemen, have expressed concern that the fund managers are dabbling in the highly volatile art market.

This year alone the fund has spent more than £1m on works of art, making it one of the largest private collectors in the world.

Mr Bowman has said that the fund may stand to lose a substantial sum from its art purchases. He feels that the money would have been more appropriately invested in British industry, which it could have helped to create new jobs.

Many of the fund's purchases are still hanging in museums and galleries throughout Europe, but much more is stored out of sight in a warehouse in Conduit Street, London.

But there are no signs of any serious pressure from the rail unions for a substantial change in the pension fund's investment policy. Union leaders are privately taking the view that as the art collection represents only 3 per cent of the fund's total investments there has been no serious case of mismanagement.

Besides, there is no great demand on the fund from railwaymen. It was set up in 1967, and under British Rail pension rules employees have to wait at least 20 years before they can draw full pension rights.

As a concession members of

the fund, who include most British Rail employees, are allowed to add a national seven years to their service. The maximum that anyone can claim from the fund is 17 fortieths of the full pension rights.

The unions therefore hope that when the fund is paying out full benefits in 30 years' time the value of its art acquisitions will have increased considerably.

The National Union of Railwaymen said yesterday: "What we need are long-term investments to protect our members' interests in the future." The question of getting the pension fund to pull out of the art market had not even been discussed by his union, he said.

The pension fund is managed by a board comprising 12 members of the British Railways Board and 11 rail union officials representing the various unions. An investment committee of three members from each side dictates overall investment policy, but fund members, through their unions, have no say on the subcommittees which invest the money.

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Purchases surrounded by secrecy

By Geraldine Norman
Sale Room Correspondent

The fact that the British Rail pension fund had invested a small proportion of its resources in the art market was first revealed in the advice of the London-based auctioneers, Sotheby Parke Bernet, first became known in December, 1974.

It was the first time the City's vast resources of managed money had been successfully tapped for spending on art and, as far as is known, that initiative remains unique.

It came during the oil crisis, which had brought a big recession in the art market.

The fund's first purchases were at Sotheby's important autumn Old Master paintings sale and included a Tiepolo oil National Gallery, for £55,000, sketch, now on loan to the two fine architectural views by Pannini.

Since then the pension fund and Sotheby's, their advisers, have attempted to keep both purchases and the manner of operation of the venture with secrecy. But the art market is addicted to gossip and information has slipped out.

It is known, for instance, that the fund bought Picasso's "Blue Boy", a gouache now on loan to the Victoria and Albert

Museum, in New York last year for about £50,000.

It is believed to have made several purchases last May when Sotheby's sold the contents of Memmore Towers on behalf of Lord Rosebery. A fine Louis XV marquetry secretary by Bernard van Risenberg, which was bought in on behalf of Lord Rosebery at £280,000, is believed now to belong to the pension fund.

It is not apparently envisaged that any sales from the art portfolio will take place for at least twenty years. As with a spread as possible over all important fields of art and antiquities is also being sought, so that adverse shifts in fashion in one field will be counterbalanced by improvements in others. The fund concentrates on items of top quality.

The spread is known to include early Chinese porcelain, eighteenth-century sculpture, furniture, pictures and modern, manuscripts and Old Master drawings. Many of the best items of the Ellesmere collection recently auctioned at Sotheby's are among the fund's purchases.

Sotheby's were considered the ideal advisers for the venture because of the wide spread of

expertise contained within the one firm. Each department, when a big sale is coming up, prepares a dossier for British Rail on the items recommended for purchase.

The historical importance of the items are explained and Sotheby's suggests a maximum price at which the items would be a sound investment.

The suggestions are passed on to British Rail through Mrs Annamaria Edlestone, who used to edit Sotheby's glossy annual, *Art at Auction*, but now manages the art fund. The experts making the suggestions do not always know whether they have been acted on, and sometimes complain that British Rail has bid more than was advised.

The secrecy surrounding the purchases makes it impossible to assess how wise they have been; they are now said to total about 600 items. What is clear, however, is that the arrangements have been very beneficial to Sotheby's.

When Sotheby's accepts important works of art for sale, large commissions can be earned if a buyer is found. The higher the price a few potential buyers there are, and British Rail's presence can be very useful.

Dons reverse decision on 'Marxist' report

From Judith Judd of The Times Higher Education Supplement, Edinburgh.

University teachers voted on Saturday to condemn a campaign which they say, is being directed against Marxists in higher education in the wake of the Gould report.

At a stormy session, the Association of University Teachers' council meeting at Heriot-Watt University, Edinburgh, reversed its previous night's decision to reject a motion deploring the report, *The Attack on Higher Education*, by Professor Julius Gould, of Nottingham University, which described Marxist infiltration of universities.

Amid shouting and heckling the council accepted a motion from the Open University which said that the publicity the report had received gave the impression of an orchestrated campaign.

"Council deplors the McCarthyite technique of smear and innuendo against named individuals and institutions which the campaign appears to be employing," it added.

Representatives from Nottingham University walked out after the vote, claiming that the principle of open discussion had been violated. They said that none of the amendments to the motion had been considered.

Professor Gould said yesterday: "The AUT council yielded to powerful left-wing pressures exactly as described in my report. It has made itself ridiculous by taking different decisions on two successive days."

Mr Cyril Snel, reader in civil engineering at Nottingham University and an executive member of the association, said: "We were very angry that academics could lend themselves to such opposition to the spirit of free inquiry, which is fundamental to academic life."



The entertainer: Mr Healey, the Chancellor, rehearsing for *Nationwide's* freely adapted version of *The Wizard of Oz* on BBC 1 tonight. With him in this scene at the wizard's castle are (right to left): Sue Lawley (as Dorothy), Richard Stilgoe (Lion), Bob Wellings (Straw man), and John Stapleton (Tin man).

Food price fall was first for 5 years

By Hugh Clayton

Food prices fell in the summer, and families paid 11p in the pound less in the three months from July than in the previous quarter. The drop is recorded in the Government's latest National Food Survey, which is published today. It was the first decrease for more than five years.

The survey also shows that consumption of all foods in British homes is still falling each year, even though prices of many fresh foods were lower and quality higher than this summer than in 1976.

The results are alarming for the food industry, which is highly labour-intensive, with a workforce of 700,000. They confirm the industry's worst fears that even a cut in the food prices would not induce people to buy more.

Almost 2,000 households contribute to the survey, which measures consumption in the home. It shows that families were eating markedly less beef, white bread and fish late in the summer than a year before.

Householders did eat many more fresh vegetables, however, because they were much cheaper than a year before and many more were grown in home gardens. Consumption of convenience foods suffered accordingly.

Consumption of frozen vegetables was cut sharply as processors who had bought 1976 stocks at high prices watched prices of 1977 produce of excellent quality fall steadily throughout the summer. "Consumption of fresh green vegetables doubled between the second and third quarters of 1977," the survey said.

Food Facts No 9 (Ministry of Agriculture, Fisheries and Food, Whitehall Place, London, SW1).

Queues for Christmas Skytrains

By Craig Seton

An official of Laker Airways yesterday urged the Government to allow the airline to fly more than one Skytrain service to New York each day because of big queues for the £59 one-way tickets in the last few days before Christmas.

At a Skytrain office in Victoria station, London, on Saturday two British Transport policemen were called to help to control an angry crowd of nearly 200 people when it was realised that only a quarter of those queuing would get tickets for the flight that night.

Mr F. A. (Freddie) Laker, who introduced the Skytrain

service, blamed the trouble on a few people attempting to jump the queue. Tickets are sold on a first-come, first-served basis.

Another 200 people, mostly Americans trying to get home for Christmas, were waiting quietly at the other Skytrain ticket office at Gatwick airport last night, hoping to buy tickets at 4 am today.

A Laker official said that some would not be able to fly on the 345-seat DC-10 until tomorrow night.

"There is no limit to the number of tickets anyone can buy, and some people are queuing to buy tickets for friends

of their family. The length of queue is no indication of the actual number of passengers wanting to fly," he said.

Mr Laker said last night that after April 1 there would be no restriction on Skytrain frequency and capacity and the airline planned to have two flights a day. It would also be able to introduce extra flights.

Since Skytrain was introduced there had been 165 flights, of which only 10 or 11 had been full. Three of them had been in the past three days, he said.

"If we had a licence where we could do as we liked, we could have planned to meet the demand."

An MP 'has no right to demand publication'

Neither a member of Parliament nor anyone else has the right to demand publication of a letter, the Press Council says in an adjudication issued today rejecting a complaint made against the *Daily Mirror* by Mr Frank Allaun, Labour MP for Salford, East.

Mr Allaun said that the editor was under an ethical obligation to publish a letter from him criticising a news report which, he said, was based on an untruth.

The *Daily Mirror* published an article by John Pilger saying that "the latest, most sophisticated torture to be used against Russian dissidents" was burning with mustard gas. He said that a Moscow man felt a sharp burn on his left foot as he was sitting in a crowded train. The hospital told him his socks had been sprayed with a chemical and it had been mustard gas, the report said.

Mr Allaun told the editor, Mr Michael Molloy, that it was "arrant nonsense" and he did not believe it.

Mr Pilger invited Mr Allaun to see, on the eve of publication

when the man was safely out of the country, a photograph of the victim taken by a *Daily Mirror* colleague who had accompanied him to the Soviet Union.

Mr Allaun accepted the invitation and said he would be surprised if it showed the KGB dropping mustard gas on a man's foot in a "crowded bus".

Mr Molloy told the Press Council that Mr Allaun was neither expressly nor implicitly invited to in the series of articles on Russia and he could not understand on what grounds he felt the newspaper was under an obligation to publish his letter.

The Press Council's adjudication was: "The Press Council considers that publication of the letter was a matter for the editor's discretion and that neither member of Parliament nor anyone else has the right to demand publication. There was no obligation on the editor to publish Mr Allaun's letter because he had not been personally attacked, and it was for the editor to decide whether to publish a letter critical of a report made in a signed article. The complaint against the *Daily Mirror* is rejected."

Press award in memory of dead journalist

By a Staff Reporter

The *Sunday Times* yesterday announced a press award "for the best contribution to international understanding" in memory of David Holden, its chief foreign correspondent, who was murdered in Egypt 12 days ago.

To be created in 1978 as an additional award under the British Press Awards scheme, the David Holden Award will be given annually. It will be financed by the income from a fund, to be established partly by a contribution from Times Newspapers Ltd and partly by contributions from Mr Holden's friends or anyone who would like to pay tribute to him. The scheme has been approved by Mr Holden's widow.

Anyone wishing to make a contribution should make cheques payable to Times Newspapers Ltd, to be sent to the Company Secretary, Times Newspapers Ltd, PO Box 7, New Printing House Square, 192 Gray's Inn Road, London, WC1 8EZ. The appeal will remain open for about two months.

Harmonization wanted, not duplication

Early in November the Government decided to exempt subscriptions to some trade associations from value-added tax, thereby saving the National Farmers' Union and the Country Landowners' Association some large bills.

Immediately afterwards the association issued a notice headed "CLA wins VAT battle" in which Mr James Douglas, secretary-general, said: "This decision by Treasury ministers shows that a well balanced and well researched argument can still achieve a favourable reaction from government."

The association had worked hard to discover that no other landowning organization in Europe was likely to have to pay the tax on members' subscriptions. It was therefore able to report triumphantly to its members and excise that if the tax was levied in Britain the sacred goal of harmonization under EEC rules would be missed.

When the exemption was announced the union also issued a notice. It was headed "NFU success" and in it Mr George Cartell, the director-general, said: "This most welcome government decision is in response to an NFU initiative, supported by the CLA."

The simultaneous release of the two victory proclamations raises two interesting questions. First, is it wise to treat government departments like fairground slot machines labelled "a prize every time"?

Secondly, if each organization is determined to appear to be not one among many contributors to victory but the principal one, will it not be forced to duplicate some of the effort and expense of the other? If that is so, may not the members of the NFU and CLA now be paying as much extra for that reason as they might have had to pay through VAT?

Agriculture

Hugh Clayton

cultural lobby. The full title of the National Farmers' Union is the NFU of England and Wales. There is, however, another organization called the Farmers' Union of Wales.

In the words of Mr Morris, "there are two unions in the same area with the same aim of securing the wellbeing of the farmers of Wales; but each working as if the other did not exist." He called for an effort by both unions, adding: "I stress by both unions" to try to establish a working relationship. "All I seek to propose is the principle of the need for an understanding."

Mr Morris went on. He was sure that with good will in all directions the interests of Welsh farming could be served in peace and harmony.

The two unions immediately commended his statement. Each managed to echo and support his plea for a new attempt at compromise without volunteering anything definite towards it.

Duplication of effort and responsibility in agriculture is not confined to farmers and landowners, however. It occurs in government departments as well. Three years ago it was hard to decide where the responsibilities of the Ministry of Agriculture, Fisheries and Food ended and those of the Department of Prices and Consumer Protection began.

Powerful and respectable lobbies like the Country Landowners' Association, the Economic Development Committee for Agriculture and the Centre for Agricultural Strategy at Reading University all want the ministry to adopt a new role.

Today the ministry is one of the great clogging bones of Whitehall sandwiched between the proposing seal of the European Commission and the Council of Ministers in Brussels, and the disposing might of the Treasury at home. Next year there will be an accelerating campaign to turn the ministry into a department of the environment with important responsibilities for rural planning.

The main task of the ministry is to safeguard food supplies, and the Government has decided that one of the best ways to do that is to raise national output. The ministry might therefore be thought the worst agency for preserving the traditional appearance and fabric of the countryside.

A ministry charged with producing more food might be expected to want to flatten every mossy haik and build a broiler house in the middle of every scenic vista.

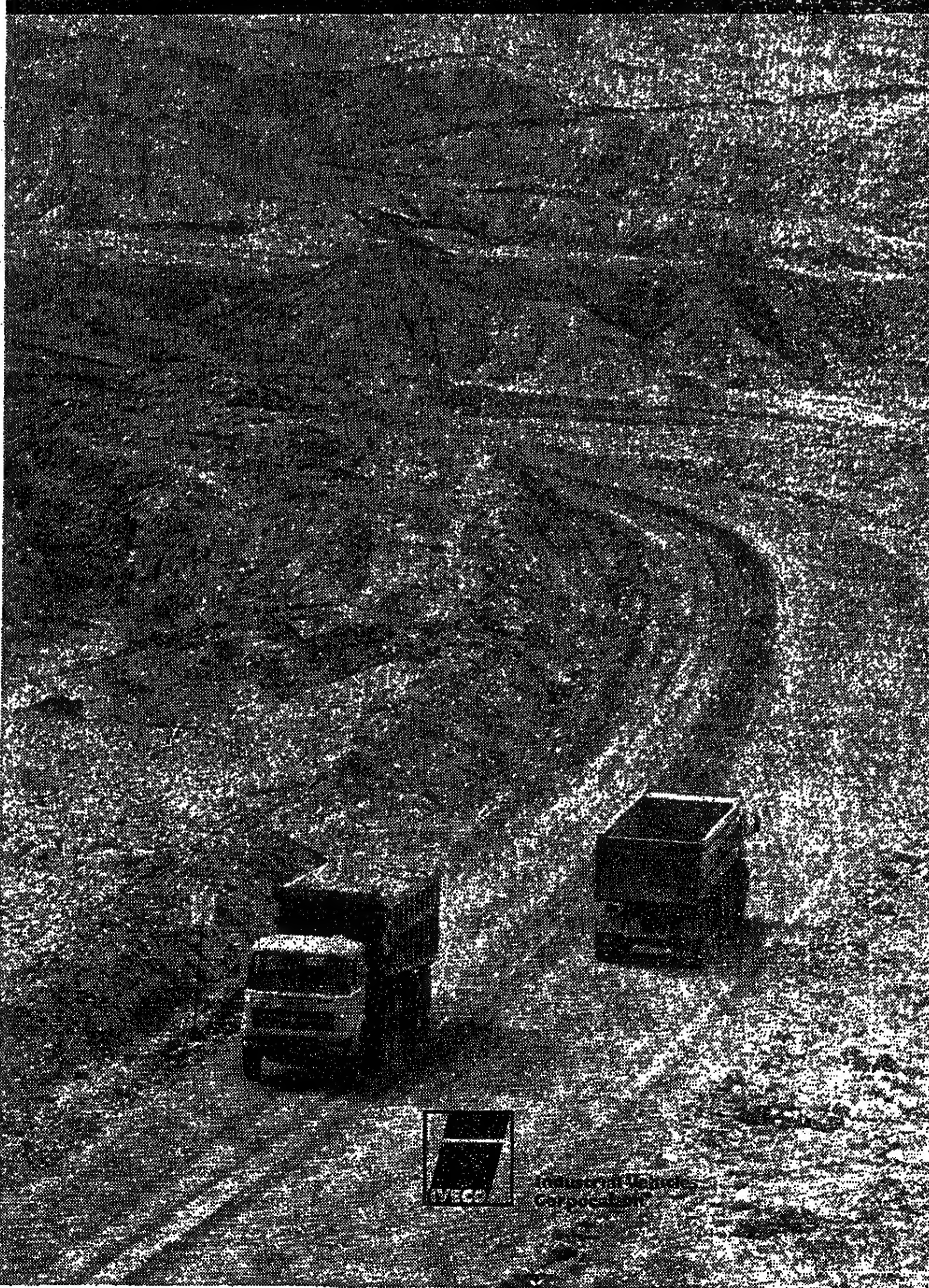
The introduction of a new element in the machinery of rural planning might simply increase complexity and produce nothing of value. Those who support a greater ministry role in rural planning insist, however, that the needs of food supply go by default simply because the ministry is left out of planning consultations.

Bodies like the Nature Conservancy Council and the Development Commission, which includes the Council for Small Industries in Rural Areas, now "belong" to the Department of the Environment. A case for switching them to the Ministry of Agriculture will be made in the coming year.

If farmers think that there is any danger of duplication of effort and responsibility by the two departments, they can cite their own experience as a warning against it.

A truck working on a construction site. A truck crossing a continent. A bus carrying tourists, or workers, or schoolchildren. Vehicles named Fiat, OM, Lancia, Unic, Magirus-Deutz. This is the world of Iveco.

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OVERSEAS

Kidnappers free son of Cyprus leader after pledge of safe conduct

Nicosia, Dec. 18.—Kidnappers released the 21-year-old son of Lieutenant Archbishop Kyprianou, the President of Cyprus, early today, six hours after the expiry of the latest deadline they had set on his life in return for safe conduct out of Cyprus for their gang leader.

The Government had rejected the kidnappers' demand for an amnesty for imprisoned or detained members of the EOKA-B terrorist group, which is campaigning for political union of Cyprus and Greece.

Mr John Christofides, the Foreign Minister, said Lieutenant Kyprianou was released after more than three days of secret bargaining with his captors near Limassol in southern Cyprus.

He said that the gang leader, earlier captured by a police officer as Mr Vassos Pavides, nicknamed "the doctor", and an EOKA-B chieftain in Limassol, was promised safe conduct out of the island.

Lieutenant Kyprianou was abducted at gunpoint on Wednesday night and the kidnappers set two deadlines for his death unless his father capitulated.

President Kyprianou, who is a doctor, is campaigning for the interests of his country came before the life of his eldest son.

The last deadline ran out at 10 pm (20.00 GMT) last night, when the kidnappers released at about 4 am (02.00 GMT) today.

Heavy rain delayed his return to Nicosia. He arrived in a police car to the cheers of thousands of Greek Cypriots and the emotional embraces of his family.

He had been held in a hide-out "somewhere in the hills" near Limassol, by a 10-man team from the main road between Limassol and Nicosia.

Prospect of Begin visit eclipses Cairo talks

From Edward Mordimer, Cairo, Dec. 18

The Cairo conference lay hibernated today for the third day running, waiting for a wind from Washington. It is officially to resume tomorrow but its activities have been eclipsed by the prospect of the arrival in Egypt of Mr Menachem Begin, the Israeli Prime Minister, for a meeting with President Sadat.

Mr Sadat told an Italian journalist today that the meeting would take place on Wednesday, but Mr Begin was reported as saying in Washington that it would be either on Thursday or at the beginning of next week.

In a press conference yesterday Mr Sadat made it clear that this would be a short working visit, intended to "put the final touches to the next move in the Cairo conference", rather than the return visit for his own journey to Jerusalem last month.

Mr Sadat explained that he had told Mr Begin in Jerusalem that it would be difficult to give him a triumphant reception in Cairo so long as Israel was occupying Arab territories. But "matters have changed since Mr Begin is coming to tell me what he intends to do regarding the coming step".

So far, Mr Sadat went on, "I cannot say there is a development on the Israeli side, and like the whole world I am waiting for the response of Premier Begin to my proposal to Jerusalem". He still insisted on the return of all the Arab land occupied by Israel in 1967 and on the right of the Palestinians to their own state.

Two kings meet in Riyadh

Riyadh, Dec. 18.—King Hussein of Jordan arrived here today for talks with King Khalid of Saudi Arabia and other Saudi leaders. Riyadh radio said that the talks would be on ways of ending Arab differences.

King Hussein is expected to proceed tomorrow to Kuwait which, like Saudi Arabia, has been hoping to use its good offices to ease the discord in the Arab world created by Egypt's overtures to Israel.

Prince Saud al-Faisal, the Saudi Foreign Minister, told a press conference here last week that Saudi Arabia was withholding judgment on President Sadat's initiative. But the prince told an American visitor here last weekend that now was the time for solid efforts toward a Middle East peace and not for further dramatic gestures such as Mr Sadat's visit to Jerusalem.

King Hussein was expected to ask what the Saudi view would be if he continues to remain aloof from the current Cairo talks and what Riyadh thinks about whether and under what circumstances Jordan should get involved in the talks.—New York Times News Service.

Guerrillas seize Ethiopian base in Eritrea

Seirt, Dec. 18.—A spokesman for the Eritrean Liberation Front (ELF) said today that its guerrillas had captured the Ethiopian stronghold of Adi Caieh, reducing to four the number of important Ethiopian garrisons in Eritrea.

"Our forces killed 600 enemy troops", the spokesman said. The number of Ethiopian wounded is estimated at 900.

Earlier today, Mr Ahmed Nasir, the front's leader, made a similar report of fighting and casualties in an interview with a Khartoum newspaper. Mr Nasir mentioned Adi Caieh but did not say it had been captured.

Adi Caieh is about 50 miles from the Red Sea port of Massawa, whose suburbs were reported to have been captured by forces of the Eritrean Popular Liberation Front (EPLF) last Friday. The EPLF and the ELF are the biggest of the three liberation movements.

The capture of the strongly defended garrison would be likely to hasten the guerrillas' final assault on encircled Asmara.—Reuters.

Tanzania delay on opening border with Kenya

From Our Correspondent, Nairobi, Dec. 18

Neither Kenya nor Tanzania is making any official estimate of the time needed to implement the agreement recently drawn up by officials from the two governments, which will eventually result in a reopening of the 500-mile land border closed by Tanzania last February.

Significantly, it was Kenya which first announced the terms of the joint agreement. Tanzania confirmed the text this weekend but said the border would not reopen until all the steps in the agreement were effected. The Tanzanians give the impression that it could well take months to reach this stage, although the Kenyan view is that it could be achieved within weeks.

Tanzania closed the border after accusing Kenya of bringing about the financial collapse of East African Airways (which was jointly owned by Kenya, Tanzania and Uganda). Kenya denies this but suggests that Tanzania used the airways crisis as an excuse because neither

'I am ready to die,' writes kidnap victim Montoneros terrorists blamed for seizure of French nuns

From Andrew Tarnowski, Buenos Aires, Dec. 18

The abductors of two French nuns, seized here more than a week ago, belong to the neo-Fascist Montoneros terrorist organization, and are holding them to exert pressure on the church and the Argentine and French Governments, according to an Army communiqué. The kidnappers have set a Christmas Eve deadline for the fulfilment of four conditions laid down for the release of the nuns, informed sources said.

The two nuns, from the Congregation of Foreign Missions based at Notre Dame de La Monté in Muret, France, have been in Argentina for about 20 years. They are Anne-Marie Domon, known as Sister Alicia, who is 41, and Sister Dolores, known as Sister Leonie, who is 62.

The sources said that Sister Alicia had declared that she was ready to die in a letter accompanying the kidnappers' demands.

Sister Alicia has helped to trace persons who have disappeared since last year's military coup. She was among 10 people seized by armed men in six unmarked cars outside a Buenos Aires church on December 8. Sister Leonie was abducted two days later.

The French Government has made three strong protests to the Argentine. Foreign Ministry about the abductions, and the United States has expressed serious concern.

On Friday the Government blamed the abductions on "subversive nihilists intent upon hatred and destruction".

Yesterday an Army communiqué directly attributed the kidnappings to the Montoneros on the basis of an alleged clandestine message from the Montoneros to the local office of Agence France Presse.

It came by post in a package including a photograph of the nuns, with the crossed lance and rifle flag of the Montoneros behind them, and holding a local newspaper dated December 18, as well as a photocopy of a handwritten letter from Sister Alicia to a French priest.

The message was stamped with the Montoneros insignia but unsigned. It demanded a public condemnation of the Government by the church in Argentina, a similar statement by the French Government, and asylum in France for Argentine political refugees.

The two nuns would be freed after these conditions had been fulfilled, it said.

It also demanded the release by Christmas Eve of 21 people, including two former provincial governors, a human rights campaigner, and other people held on charges of corruption or links with terrorism.

In her letter, however, Sister Alicia said that she had been seized "by a dissident group of the actual Government of R. Videla". Some observers here believe that many abductions have been carried out by fringe lance hardliners to embarrass President Jorge Rafael Videla, whom they regard as too liberal.

A spokesman for the Montoneros denied that the movement had any part in the kidnapping of the nuns and accused the Argentine Government of abducting them.

Dr Sakharov barred from visiting prisoner

Moscow, Dec. 18.—Prison camp authorities in Mordovia today barred Dr Andrei Sakharov, the physicist and Nobel peace prize winner, and his wife from paying an annual visit to Edward Kuznetsov, a defendant in the 1970 Lenin grad hijack trials, according to dissident sources.

Dr Yuriy Malin, a mathematician and member of the group monitoring the human rights records, told Western correspondents the Sakharovs had been given no explanation for the refusal.

Mr Kuznetsov was one of 11 defendants, most of them Jews, convicted in Leningrad in December, 1970, of attempting to hijack an airliner to Sweden in order to make their way to Israel.

He and Mark Dymshitz were sentenced to death, but the sentences were later commuted to 15 years in a prison camp under a severe regime.

Mr Kuznetsov's prison journals have been published in the West.

Dr Malin said the Sakharovs planned to remain at the Poma camp until they were given an explanation of why they could not see Mr Kuznetsov.—UPI.

Argentina claims progress in Falklands dispute

Buenos Aires, Dec. 18.—Captain General Albino Echeverria, Argentina's Under-Secretary for Foreign Relations, said today that his recent talks with Britain over the Falkland Islands were "positive and a step forward".

A joint communiqué issued after three days of talks in New York, in which the British team was led by Mr Edward Rowlands, Minister of State in the Foreign Office, said that a further round of ministerial talks had been agreed for the second quarter of 1978.—Reuters.

Korchnoi puts off game

Belgrade, Dec. 18.—The tense game in the match between Boris Spassky and Viktor Korchnoi to find a challenger to Anatoly Karpov, the world chess champion, adjourned on Friday night and due to be resumed last night, was put off until tomorrow at Korchnoi's request.—Reuters.

Miss Pat Blair

Miss Pat Blair, deputy editor of the *Health and Social Service Journal*, who was quoted in a report on December 10 on the case of a British nurse jailed in Bangkok, wishes us to make clear that she herself was not at any time detained in prison.

Rawalpindi buses set on fire in pro-Bhutto riot

From Our Correspondent, Islamabad, Dec. 18

Anti-Government demonstrations by People's Party workers in Rawalpindi today led to riots in which buses were set on fire and traffic held up for about three hours. Police were reported to have used tear gas.

Most of the local party leadership has been arrested, according to People's Party sources. They added that clashes between police and party workers had also taken place today in Karachi with several arrested.

The protests follow an injury to Mrs Musrat Bhutto, wife of the former Prime Minister, Mr Z. A. Bhutto, in an incident at Lahore sports stadium during a Test match between Pakistan and England two days ago. The injury is said to have been caused by police. Mrs Bhutto is still in hospital in Lahore. Her husband is facing trial accused of murder.

Hongkong, Dec. 18.—Mr Hsu Kuo-feng, Chairman of the Chinese Communist Party, today met General Zia ul-Haq, the Pakistan military leader, and wished Pakistan "stability, unity, strength and prosperity". The New China news agency said.—UPI.



Major-General Mogharebi in court during his trial.

Plea to Shah by general in spy case

Tehran, Dec. 18.—The Iranian Major-General, Ahmad Mogharebi, convicted of spying for Russia and sentenced to die before a firing squad, today appealed to the Shah for mercy.

Earlier today a military court upheld his death sentence passed by a special tribunal.

General Mogharebi, who is 55, testified that a Soviet diplomatic attaché blackmailed him nine years ago, threatening to disclose his 25-year-old association with the outlawed Russian Communist Party if he refused to spy for Moscow.

The name of the country for which the general spied was not mentioned during the trial. With a 1,800-kilometre common frontier with the Soviet Union, they preferred to be diplomatic, a court source said.

Dozens of Iranian officers were executed by firing squads in 1954 for their membership of the Communist Party. At that time Mogharebi was among those arrested, but he was released for lack of evidence.

The Shah has 10 days to consider his plea, which he can commute to life in prison.—AP and UPI.

Six hurt in attack on Rhodesian resort

From Nicholas Ashford, Victoria Falls, Dec. 18

One African was seriously wounded and another five slightly injured during a rocket and mortar attack last night on this Rhodesian tourist centre on the banks of the Zambezi. The missiles were all fired from the Zambian side of the river.

The attack caused some damage to the Victoria Falls Hotel overlooking the railway bridge on which the talks between the Rhodesian Government and the black nationalists took place two years ago. The railway line close to the hotel was also hit. However, apart from a few minor cuts and bruises, none of the guests at the hotel, which was fully booked with holidaymakers, was injured.

The attack came after I had visited the local Rhodesian African Rifles company which is responsible for the defence of the Victoria Falls area.

According to Mr Kasey Young, a Government official who accompanied me during my visit, the attack began shortly after 10 p.m. when the brightly lit hotel was in full swing with a band playing and guests enjoying an evening barbecue on the lawn in front of the hotel.

The first rocket hit a tennis court, bounced off the surface and ricocheted into the side of the hotel, damaging the wall and shattering windows. The explosion broke all the glass of the cocktail bar inside the hotel.

Seconds later a mortar bomb hit the railway line at the rear of the hotel. Off-duty troops drinking in the bar picked up their weapons and took up defensive positions around the hotel. Guests were ordered to lie down in the corridors and the hotel lights were turned off.

There was no panic and within an hour of the attack the bars and casino were back in operation again.

Between 30 and 50 mortars, rockets and recoilless rifle shells were fired during the attack, which lasted 25 minutes.

They fell over a wide area, some of them landing in the African location outside the town and others exploding harmlessly in the bush.

Several minutes after the unexpunged air was cleared, mortars went into action. Two of the positions on the Zambian side were quickly silenced, but another situated close to the Zambesi gorge remained in action for some time.

The local population of this small, attractive town has grown almost accustomed to such attacks. The town's motel has been hit twice, both times by guerrillas of Zim (the army belonging to Mr Joshua Nkomo's wing of the Patriotic Front) operating from inside Rhodesia. One person was killed during the first attack.

Last month Rhodesia's most luxurious hotel, the Elephant Hills Country Club, situated about one mile outside the town, was hit by a rocket fired from Zambia and badly damaged.

Victoria Falls now gives the impression of a town under siege. It is necessary to travel in a convoy protected by an armoured car from the town to the airport about eight miles away. Motorists bound for Waikie or Bulawayo are told to put their foot down and not to stop until they reach their destination. All traffic has to be off the road by 4 pm.

Despite this, however, Rhodesian visitors still flock to the falls determined to enjoy themselves. The roulette wheels spin, the swimming pools are crowded, and tourists stroll along the edge of the Victoria Falls gorge which in some places is only about 200 yards from the Zambian side.

Even the Elephant Hills hotel, despite its burn out top floor, continues to cater for visitors who come to use its sports facilities and its championship golf course. According to one golfer, the only real hazard of playing there is a large crocodile which lies in wait for players walking along the eighth fairway.

The latest incident between Rhodesia and Zambia comes amid unconfirmed reports of an exchange of prisoners between the two countries.

Q. Who has 4 hotels in the world's top*30?

(Holders of the coveted Diploma of European Excellence)

A. Trust Houses Forte!

George V, Paris (Gen. Manager, André Sonier)
Plaza Athénée, Paris (Gen. Manager, Paul Bougenau)
The Pierre, New York (Gen. Manager, Henri Manassero)
and now...
The Hyde Park, London (Gen. Manager, Willy Bauer)



* The Diploma of European Excellence is awarded only to top international hotels by the Comité de l'Excellence Européenne.

OVERSEAS

Power manoeuvres in China lead to talk of a split in leadership

From David Bonavia
Hongkong, Dec 18

The political situation in China in which a "two-line struggle" has been superseded by complex power manoeuvres at the top is giving rise to much speculation, some of which seems to have a foundation in fact.

Taiwan's propaganda organs have increased their campaign to present a picture of disunity in Peking, but not all their evidence is mere invention. The basic situation as described by numerous right-wing Chinese organs, both in Hongkong and Taiwan, is that of a split between a faction supporting Chairman Hua Kuo-feng and one supporting Vice-Chairman Teng Hsiao-ping.

Foreign diplomats in Peking remain mostly unconvinced that either Mr Hua or Mr Teng would see any merit in a power struggle at this difficult moment of policy rethinking and social and economic reform. There are those, however, who believe that the seeking of revenge by old leaders, disgraced during the Cultural Revolution and now back in power, may take precedence over patriotic considerations.

Speculation about a growing factional struggle has been fuelled by a number of promotions and dismissals in the Communist Party and the armed forces, which seem to point to a degree of vengeance on the part of some of those now in power. Mr Teng, who was disgraced for seven

years after the Cultural Revolution and suffered the same fate for several months last year, is back in quite a senior military position.

The diplomat's doubts about a power struggle coincide with a degree of confusion in the minds of Chinese people, both inside and outside China, as to whether the present leadership is actually pursuing a course condemned by Mao Tse-tung as "revisionist" or whether it is simply developing his ideas further. Most experienced foreign observers feel that Mao's ideas of the past two decades are being largely discounted by the present leadership.

Concern about this has been reflected in a recent issue of a new pro-Peking political journal published in Hongkong, which seems to be used as a mouthpiece for the supporters of Mr Teng. It has argued strongly that the rehabilitation of former high officials, some of whom Mao had censured personally, does not mean that the present regime is turning its back on Mao's policies. It claims that these people had reformer tendencies and are to be compared with cured patients discharged from hospital.

Some Maoist elements, both Chinese and foreign, consider this to be sheer hypocrisy. They made necessary by the decision not to denounce Mao himself in view of the embarrassment it would cause now that he has been enshrined in a Peking mausoleum.

Philippines choose further period of martial law

From Peter Hazlehurst
Manila, Dec 18

The Philippines opted for another period of rule under martial law, according to the initial results tonight of yesterday's national referendum.

Provisional results showed that more than 80 per cent of the voters gave President Marcos a mandate to remain in office and increase the scope of his powers.

Manila recorded a 90.7 per cent vote in favour of President Marcos tonight. The results from the 7,000 islands in the archipelago will reach the capital only later in the week.

Voting is compulsory and the electorate was asked to reject or endorse the regime. The relevant question was "Do you vote for President Marcos to continue in office as the incumbent President and Prime Minister after the organization of a national legislature?" President Marcos did not

have to contend with any substantial opposition. Mr Benigno Aquino, the only other Filipino leader capable of attracting widespread support, has been detained for five years and was sentenced to death by a military tribunal last month.

The underground Communist Party, suffered a decisive blow last month when its leader, Mr José Maria Sison was captured. Memories of political instability, assassinations and a period of terror which preceded martial law in the early 1970s also swayed the undecided voter in favour of the regime.

Summing up the feelings of many Filipinos, Mr Mario Lopez, a businessman, said: "I support Marcos because we want martial law to remain in force." President Marcos's less radical opponents, including the former President, Ferdinand Marcos, and his family, described the referendum today as "a farce."

Lions cause panic in Nairobi

Nairobi, Dec 18.—Game wardens have captured two lions out of a pride which roamed through part of Nairobi, eating horses and causing panic among residents.

The lions were shot with darts containing a sleeping drug last night by game wardens waiting in ambush when they returned to the city. A few minutes later, a lion was killed. At least four other lions were believed to be still at large in the sprawling, wealthy suburbs of Langata and Karen, a few miles from the city centre, and the hunt by game wardens continued.

The area is a favourite weekend spot for horse riding and picnicking, but those activities were virtually at a halt today. The authorities warned people to keep a close eye on children and domestic pets.

The lions apparently escaped from the nearby Nairobi game park.—UPI.

Malaysia ready to think again over Concorde

Kuala Lumpur, Dec 18.—British officials are expected to resume technical talks here tomorrow in another attempt to get Malaysia to lift its ban on the use of its airspace by Concorde.

The deadlocked negotiations will resume in the light of a positive statement yesterday by Tan Sri Manikavasu, the Malaysian Communications Minister, that the door was still open for talks.

The three-weekly Concorde service from London to Singapore, inaugurated 10 days ago jointly by British Airways and Singapore Airlines, was abandoned on Friday after only three return flights because of the Malaysian objection on ecological grounds.—Reuters.

No blood spilt in US bullfight

San Francisco, Dec 18.—Bullfighting returned to San Francisco for the first time in 25 years last night.

Although no blood was spilt in the Portuguese-style fight, several animal protection groups protested at the event, sponsored by the St Elizabeth Catholic Church of Portuguese celebration of the festival of Our Lady of Fatima. It drew a much smaller crowd than expected.—Reuters.

Prisoners of conscience



Tunisia: Gilbert Naccache

By David Watts

Those who criticise the Government of President Bourguiba are not a little sympathetic to Mr Gilbert Naccache, an agricultural student aged 29 when he was first arrested in 1968. He was associated with a group of students and intellectuals who produced a publication called *Perspectives Tunisiennes* which was critical of the Bourguiba Government.

Mr Naccache was tried in September, 1968, before the state security court in Tunis with 133 other people. They were all charged with subversion against the state, forming an illegal association, and spreading false information.

During the trial torture was reported to have been used during interrogation. Police statements formed the basis of a prosecution for conducting a proper defence. Mr Naccache received 16 years imprisonment—one of the heaviest sentences of the trial.

In March, 1970, he was freed by a presidential pardon and put under restricted residence. Two years later, however, he was rearrested and detained incommunicado for two months during a crackdown on the left-wing opposition. He was later released, but rearrested in December, 1972.

Although Mr Naccache and his former associates had all been restricted since 1970 to remote villages, they were again accused of forming illegal associations and in March, 1973, Mr Naccache was sentenced to a year's imprisonment. At the end of this sentence he was not released and in April, 1974, the pardon of 1970 was withdrawn and his original 16-year sentence was reinstated.

Mr Naccache and his associates are being held in the Prison de Nador, Bizerte, where poor diet and lack of specialist medical care have taken their toll. Mr Naccache's condition is said to be particularly bad since he suffers from kidney stones, haemorrhoids and chronic digestive and dental troubles.

Dr Henry Kissinger: diplomacy from Bismarck to the age of instant communication



Mark Godwin/Magnum

This article, a conversation between Dr. Kissinger and Walter Laqueur, will appear in the first issue of *The Washington Review of Strategic and International Studies*.

Laqueur: Your studies on nineteenth-century diplomatic history are of course, well known. You now work on your memoirs. What specific problems do you face in your work on the contemporary period? Or, to be precise, what are in your view the main difficulties facing the contemporary historian who unlike the events he intends to describe.

Kissinger: I have been struck by the difficulties historians will have in forming reasonable historical judgments about the contemporary period. In the nineteenth century, communication between diplomats and their governments was very difficult and it was therefore necessary for the governments to give rather conceptual instructions and for the diplomats to explain the philosophy of their own actions. It was impossible for the participants at the Congress of Vienna, for example, to receive day-to-day tactical instructions on how they should conduct their negotiations. Historians can therefore read the documents—which are marvellously not all that plentiful—and form some impression of what the various individuals wanted to achieve.

Today communication is instantaneous. There is no need for either government or ambassador to give an elaborate explanation of why certain things are being done. Instructions, very often simply tell the diplomat what he is supposed to say at a particular session. One result is that an enormous amount of material accumulates that cannot possibly be studied by any one scholar. The instructions go out in so many different channels, and under so many different classifications that it will be next to impossible for somebody who has not been a participant to determine what was crucial and what was peripheral, what was written to keep the bureaucracy quiet, what was for purposes of later disclosure, and what was written to be implemented.

A second result is that the documents do not provide a reliable guide to the ideas and passions of the participants. It is terribly difficult for historians and statesmen of the future to use our records as historians have used those of the past. Whether this will have a deleterious effect on statecraft or diplomacy is not something that can be learned from texts, historical or otherwise.

Laqueur: It is difficult for the historian to unravel modern diplomacy. This again raises the reverse question: how can we, as historians, help to clarify the conduct of foreign policy, which in each instance a recognition of comparable situations. We can call for more information, but we are not in a position to demand it. The impact of personalities, and yet every new case arises, that knowledge will be empty if one does not understand what the elements of power are. It is also true that the impact of structure on events can be that requires an intuitive feeling, which can be partly taught from history but which is partly indefinable.

Laqueur: In other words, the statesman is seeking to solve the same type of question as the scholar, but without the benefit of scholarly analysis. But it is also true that the statesman faces problems of verification. More often than not he has to guess as to what he is dealing with. If so, by what principles should he be guided in analyzing foreign policy and what are the main pitfalls to be avoided.

Kissinger: Yes. The statesman has to make a whole series of judgments that he cannot prove while he is making them. He has to deal with other units (whatever they are called—nations, regions, groups, institutions, continents) that are not necessarily subject to his will, and he therefore has to make a balance between the capabilities of the other parties and their intentions. A statesman can escape his dilemma by assuming that the other party is always benevolent. If his judgment should be wrong, however, he may have produced something irretrievable. Consequently, one of the purposes of statesmanship must be to seek to restrict the significance of the other's intentions by one's own actions. In the abstract, it might appear that it is better to gear policy to the capabilities of the other side rather than to its intentions. Yet if this is carried to an extreme, it leads to a policy that seeks empire or hegemony for one's own side. The other side, the other side is not capable of harming you is to reduce it to impotence. Absolute security for one side must mean absolute insecurity for all other sides. For example, the debate that often goes on, over whether the purposes, say, of the Soviet Union are aggressive or defensive could be beside the point. The key question may not be merely whether a country feels threatened, but what it takes to reassure it. If a country is only reassured by the impotence of all its neighbours, then the trend of its policies will be toward hegemony, whatever its motives may be. Defensive motives can therefore lead to aggressive foreign policies.

Any statesman must strike a balance between capability and intention. He cannot rely entirely on the goodwill of another sovereign state, because that would be an abdication of foreign policy. He cannot base his policy on the fact that he is willing to establish a world empire, this will only tend to unite his enemies and force him to attempt a cynical and dangerous policy of divide and rule. Other other foreign policy is therefore to try to guarantee the relative security and therefore also

the relative insecurity of all the parties. Along with this, some common sense of values must be found so that the participants will not constantly attempt to overthrow the international order.

The application of these principles depends on the conception of a sovereign unit, on what the sovereign units are capable of doing to each other, and on what these units want to do to each other. One tremendous change in the international system occurred at the time of the change from the eighteenth to the nineteenth centuries, when the feudal order broke down and the nation-state emerged. Every ruler was benevolent, he governed, not matter what his intentions were, because the concept of a legitimate political unit had changed. The same was true at the end of the colonial period. It is clear that all these colonies did not feel oppressed at every period in their history. A few thousand Britishers could not possibly have colonised India without the support of a significant portion of the population. 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Obduracy of Derbyshire pair puts clamp on Pakistan's progress

Garner rips heart out of Australia

Simpson's masterly knock inspires Australians

World XI top of table after collapse of opposition

Canberra, Dec. 18.—The World XI moved to the top of the Country Cup competition table with an easy 212 run victory over an Australia XI at Manuka Oval today. The Australian XI needed exercise as to how long the rest of the Australian batsmen would last.

Schoolboys match
POONA, INDIA: England schoolboys
180. West Zone 175.

Early hazard for leading clubs in FA Cup

[illegible]

Bristol City no longer looking out of place

Well timed retort by Forest

Final whistle comes to Everton's rescue

with half an hour left and the referee's whistle for a retiring on to Birmingham suddenly found the form that has deserved them in the past three weeks. After an impressive opening period, began to find some open spaces once more, and could not be bothered to buy up around Everton's goal.

It is true that both sides have been in a state of confusion before this final half hour. Dobson, for example, saw a whistling header stop him in his tracks, and then he was something like the sustained pressure by Birmingham in the climax of which was a fierce smack against the bar with Workless.

What will go down in the record book as a dropped hour point and their fourth match a row without a goal, Birmingham were not at their best, but not from their performance, which showed that there is nothing wrong with them. It was that Everton looked less and less impressive as the game wore on, and that they were not so generous to their manager, Gordon Lee, although he is on the crest of the wave at the moment.

BIRMINGHAM 1, Everton 0.

**Gaiety and a pillow-cas
full of near misses.**

now come and gone as part of creative match. But drives McAlister and Pratt against it. The first shot by McAlister off the line by Hisselwood cleared the meeting and so does a film home by McAlister to his own side. And to round it off, there's another shot by McAlister clearly off the line by Hisselwood. A story for the visitors as he has an exquisite long pass by Silkenham just wide of Daime's far post. The half produced an alpha-half performance from the visitors, but the first half but could not quite maintain his lofty standard. However, he is surely an "and many more" player. He was the last producing his potential wing. For Palace, Sainsbury

Arsenal dream backed by substantial confidence

centre from Hull. And thereafter Manchester suggested that the team find off themselves chasing shadows, and there was little to be learned from the front-line other than a few scraps of information. The defender with which Jimmy Greenhoff should have done better, I thought, was a crumb of comfort for the Manchester players. They were in the skill and determination of young Grimes; here in the north, the manager, Granger, is a player of accomplishment.

There was rare accomplishment too about three of Nottingham's players. They showed a determination owed much to Woodcock's misadventure as Manchester hesitated about clearing a high ball into the goalmouth. They were seen from the sharpest of angles, and saw the ball glance out and it was again Granger's turn to shine.

By half-time, Woodcock has scored again with important help from Robertson and White. The last half has been a very different, very vicious running and tugging by Grennall, hurrying from his own half to the goalmouth. Under the goal, he has helped to bring down White to supply first Robertson, then Woodcock. There could, and should, have been more. Under the goal, he has helped to bring down White to supply first Robertson, then Woodcock. There could, and should, have been more.

Now, and Robertson, and

Leading goalscorers

FIRST DIVISION: R. Latchford
(Everton) 18; I. Wallace (Coventry) 14;
A. Gray (Aston Villa) 13; R.
Hawke (Leeds) 13; T. Whymant
(Sheffield) 12; P. Withe (Nottingham)
11; J. Farrel (Birmingham) 10;
(Coventry) C. 11; D. Tueran (Mansfield)
(Sheffield City) 11.

SECOND DIVISION: M. Flanagan
(Charlton A.) 17; R. Hutton (Blackpool) 15; P. Nichen (Orient) 15;

Today's football!

FA CUP: Second round replay
Stockport County v Shrewsbury Town
Port Vale v Walsall, Southend v A
Leeds United.
SCOTTISH LEAGUE CUP: Semi-final
round: Forfar v Rangers.
SOUTHERN LEAGUE CUP: Third
round replay: Hillingdon v Wealdstone.
NORTHERN PREMIER LEAGUE
Goal v Farnley.

Weekend results and tables

[illegible][illegible][illegible]

Scottish premier division									
Clevedon	D	2	3	3	3	3	3	3	3
Dunfermline	2	3	3	3	3	3	3	3	3
Rangers	3	3	3	3	3	3	3	3	3
St Mirren	3	3	3	3	3	3	3	3	3
Rangers	17	13	13	13	13	13	13	13	13
Aberdeen	18	18	18	18	18	18	18	18	18
Partick Thistle	19	19	19	19	19	19	19	19	19
Dundee - U	20	20	20	20	20	20	20	20	20
Dundee - H	21	21	21	21	21	21	21	21	21
St Mirren	22	22	22	22	22	22	22	22	22
St Johnstone	23	23	23	23	23	23	23	23	23
Stirling Albion	24	24	24	24	24	24	24	24	24
Clydebank	25	25	25	25	25	25	25	25	25
Scottish first division									
Aberdeen	P	4	4	4	4	4	4	4	4
Partick Thistle	5	5	5	5	5	5	5	5	5
Hamilton	6	6	6	6	6	6	6	6	6
Stirling Albion	7	7	7	7	7	7	7	7	7
Stirling Albion	8	8	8	8	8	8	8	8	8
Stirling Albion	9	9	9	9	9	9	9	9	9
Stirling Albion	10	10	10	10	10	10	10	10	10
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Macken celebrates by making it an Irish double on Jabkar

Mrs Cawley's game is reborn

Plank achieves third World Cup win in men's downhill

Consistent sailing gives Victorians overall lead

men's downhill

more of the b
By Sydney Friskin
Blues 9 Whites 1
In a tense finish Blues held o

Cambridge trials

Half-chance

G.S. Natural science: Public relations
S. A. Blumstein, Chemistry 6 (for 1977)
for physics: J. C. S. A. Goldstein
Bridges C (for chemistry): P. L.
Mills, Warwick 3 (for physics): M.
J. Norman, R.N.S. Goldstein (for
physics): Exhibitions: P. H. H.
Pearson, Currie 3 (for chemistry):
M. R. McNish, Wellington C (for
physics): P. J. E. Taylor, Ipswich

pendence. M. P. Weiner, *Stanford*
OS (Muriel Fryer), *Modern studies*
Major scholarships, Mary A. C. Sleigh,
S. (PPE), *Labour schools*
N. R. Gregory, *French* (PPE)
N. R. Gregory, *Warwick* (PPE)
Modern languages: Minor schools
S. C. K. Amundson Smith, *N. London*
S. C. K. Amundson Smith, *Manchester*
English: Major scholarships, *Cambridge*
J. P. Clayton, *Edinburgh Academy*

M. A. Stanley, Co. Elmwood's
 Buckhorn (biochemistry); A.
 Burton, Hills Rd. Sixth Form, C
 bridge (chemistry); S. M. Gray, H
 cochrane, Tisbury, S. Crook (physi
 cochrane, Haber-dasher, Ake's
 (law); N. A. John, The Park
 (biology); P. A. Keith, Nether
 (biochemistry); P. A. Sutcliffe, N
 C. (physics); War Memorial Sch
 said, C. M. Park, Newcastle

Modern languages: Clara S. Denno, Scholarships; Jennifer O'Connor, Rosebery Co. S. and R. W. Winner; AS Tennis Club Exhibition, St. Patrick's; St. Columba's, York; Keshkash, W. O. Exhibition, Katherine J. Green, Ford City, OS; Clara Rosemary Exhibition, Cathlamet, O'Mahony; Joseph's Corp S. Tyne and Music; Clara Sophie Dore, Scholastic.

OTHERWISE ENGAGED

...all for Manchester
...white whiners for
...and what's all about

Why the Barents Sea has suddenly become a hot spot

The past few years have seen the world's seas become permanently the public property of nations. The reasons are simple and familiar: oil, fish, minerals, and sometimes strategic advantage. These motivations are all at their strongest in the Barents Sea, the water to the north of the Soviet Kola Peninsula and Norway's North Cape. In addition to providing one of Europe's richest fisheries and a number of exciting oil prospects, the Barents Sea is one of the sensitive places where Nato meets the Warsaw Pact.

The forces which are in conflict in the Barents Sea, and the demarcation dispute which they are gradually fighting out, have involved not only Norway, the USSR and Nato but also the EEC, because the Community needs to protect its fishing fleet. The Soviet/EEC negotiations which are now proceeding are one of the first acknowledgments of the Community's existence to be received from Moscow.

Like most isolated pieces of water no one cared much for the Barents Sea until a few years ago; even then the dispute over its sovereignty was seen as an extension of the nagging which has been endemic since the Second World War on the Soviet/Norwegian border. Nato has frequently expressed alarm at the Soviet build-up in the Kola Peninsula, and especially at the major naval port of Murmansk. Although opinion differs about the numbers, Kola undoubtedly houses hundreds of Soviet nuclear submarines, and the Soviet fleet includes nearly 200 submarines, and over 100,000 Soviet troops. The totals are the result of a large build-up over recent years, and these forces provide a source of alarm for the Norwegians even though much of the force is strategic and would be directed at the United States in the case of a war.

The Norwegian forces in northern Norway are tiny by comparison, and no foreign troops or nuclear weapons are allowed there in peacetime. So the Norwegians have little military force to back their claim for jurisdiction over the part of the Barents Sea north and northeast of their own territory. To make things worse, Norway has only 15 submarines—although its own submarine-hunting force is considerable—so that it is unable to compete with the Soviets in numbers of submarines and might be unable to prevent large numbers of them from leaving Murmansk for the Atlantic in time of war, where they could become a major Nato problem.

The main problem with the jurisdiction of the Barents Sea is that the USSR and the USSR have proposed quite different formulae for dividing the area, each based on strikingly simple self-interest. The Soviet proposal involves dividing the sea into two halves, with a line of longitude from the North Pole to the Norway/Soviet border. The Norwegians would prefer a median line which would go in a north-easterly direction, maintaining the same distance from the two countries' coasts; this is the procedure used for carving up the North Sea. The difference between the two methods is reportedly about 155,000 sq kilometres—more than the land area of England and Wales.

No sign of agreement has yet appeared on the basic issue of dividing the Barents Sea. The problem is exacerbated by Svalbard, the group of islands best known for the coal mines at Longyearbyen. The islands lie at the north-west corner of the Barents Sea, and some precedent for making the Sea militarily neutral may be found in their rather singular legal status. The islands are Norwegian sovereign territory, but the Paris treaty of 1920 makes them militarily neutral in perpetuity and provides no fewer

Norway has little military force to back its claim for jurisdiction and Nato is alarmed at the Soviet build-up

than 41 signatory nations from Norway and the Soviet Union to China with rights to the islands' mineral deposits. The Soviet Union and Norway are the only countries to take the offer of cutting through 700 metres of permafrost to mine coal. The neutralization of the Barents Sea is unlikely to be acceptable to the Russians because it would involve giving up what they regard as a strong bargaining position. The Norwegians are equally unlikely to agree to neutrality because it would involve de facto military surrender and because it would be technically much more difficult to police fish and oil exploitation in the Barents Sea than it is to let the two countries loose on Svalbard.

Fish is a much more immediate concern than oil, and travellers from a number of nations including Britain have been involved in clashes with Soviet gunboats in the area. Last month British vessels were ordered out by the Soviet navy while fishing on the Tidel Bank, said to be one of Europe's best remaining fishing grounds. The EEC has now been reduced to asking Moscow to issue a number of permits for EEC fishing vessels in the area, and has backed up its request by refusing to renew permits for Polish and West German trawlers in EEC waters until the issue is resolved. The tonnage of fish involved are quite small, as Norway and the Soviet Union seem determined to exclude the EEC as far as possible. Thus they have just agreed to split 680,000 tonnes of catch between themselves. In 1976 and allow other countries a total of 130,000 tonnes, 20,000 tonnes less than this year.

With oil, the position is far more tentative and the stakes considerably larger. The Norwegian Government is unlikely—especially in the aftermath of the Ekofisk blow-out—to approve drilling in the hostile Barents Sea waters. But the Norwegian Petroleum Directorate has undertaken apparently promising seismic exploration, the essential preliminary to drilling, in the area. Much of this work has been carried out by a British contractor, Serco, a subsidiary of the oil giant Shell. The survey was terminated by an abrupt Soviet announcement that rocket launchers, tests would begin in the area; they have continued sporadically since, so that Norway will probably be unable to establish any definite limits of the area's oil prospects until the jurisdiction issue is resolved.

The signs are that this will be a longer job than arranging a temporary compromise on fishing.

Martin Ince

The author is the resources editor of Engineering Today.

David Steel Liberals must use the bonus the pact has given them

At lunchtime on Wednesday, after a difficult morning after the night before meeting of the Parliamentary Liberal Party. I passed by the news tape machine in the library corridor of the Commons. It announced that uncertainty over the future of the Lib-Lab agreement had caused the share index to drop nearly 10 points during the morning—or words to that effect.

It was a sharp reminder that during 1977 what the Liberals did and said actually mattered. This is not a state of affairs to which the modern Liberal Party is accustomed, and it has been fairly said in criticism of my strategy as its leader that I have underestimated the resistance to such change in the grass roots of the party. But what grass roots?

I have found not the slightest difficulty at all in stirring the party's enthusiasm. In three recent local by-elections I held one Liberal seat with an increased majority, gained one from Labour, and reduced a Tory majority from more than 2,500 to less than 500.

Few people join the Liberal Party in expectation of any reward or any power. That is partly its attraction. Academics or ordinary people just interested in refreshing ideas join it and contribute greatly to the outpouring of impressive policy documents, specialist commissions and lengthy resolutions of a detail never attempted in the Tory or Labour parties. To them it is often a kind of Fabian Society with a few seats in Parliament and a number of councillors attached. Combined with this goes a protest vote

rather than explaining the direction it is actually taking. That is not true everywhere. In the late 1970s the constituency of Liberal MP Stephen Ross suffers a Tory-controlled council. Twice in the past few months the Liberals have gained seats from the Tories in local by-elections. It is one of the constituency associations which has proclaimed the virtues of the existing Liberal seat and then deduced that we shall lose half our existing MPs.

Or take Liverpool. The local party which I visited three weeks ago does not allow anxiety about Lib-Lab to stop its energetic campaigning. In three recent local by-elections it held one Liberal seat with an increased majority, gained one from Labour, and reduced a Tory majority from more than 2,500 to less than 500.

Few people join the Liberal Party in expectation of any reward or any power. That is partly its attraction. Academics or ordinary people just interested in refreshing ideas join it and contribute greatly to the outpouring of impressive policy documents, specialist commissions and lengthy resolutions of a detail never attempted in the Tory or Labour parties. To them it is often a kind of Fabian Society with a few seats in Parliament and a number of councillors attached. Combined with this goes a protest vote

which varies in size according to how fed up people are with the government and alternative government of the day. I do not despise this role. It is an honourable one. And a useful one to be such a pressure group in the body politic, and one which the Liberal Party has very effectively fulfilled for 20 years.

But is that all we want to be? I thought not. An open democratic leadership campaign gave the opportunity for a debate on what direction the party should take under its new leadership. I spent our both then and afterwards that the Liberal Party wished to return as a party of government we would have to secure electoral reform. To do that we should be prepared to share power, in coalition if necessary, with one of the established parties. The present short-term agreement is an essential step in that long-term strategy. The party may forfeit some of its present vote, but by the next election we should be able to demonstrate a key role in assisting economic recovery while keeping at bay the threat of political lurches to the extreme left or right.

The special assembly of the party which is to meet next month must therefore decide whether it is prepared to follow such a course or not. I thought it had already, but I may have been wrong. One factor which has upset Liberals is the furious hostility of the Tory tabloid press. We are all portrayed as "hanging on to our seats". An obscure Tory MP makes a speech suggesting I will join the Labour Party and that rates

front page of the *Sunday Express*. Liberals are used to being ignored, not attacked. Such attacks will continue, and some Liberals genuinely begin to wonder whether it is possible against such a propaganda barrage to get across to the public what we are doing—enslaving the middle ground of politics to assert itself. I understand that fear, but believe we must make the effort.

The one argument I dissent from is that we can end the Lib-Lab agreement and still not have an election. That seems to promise the worst of every world. The Scottish Nationalists, the main almost forgotten spokesmen in the past fortnight, have reiterated their desire for an early election (though few commentators appear to have noticed). Refusal on Ulster Unionists would only further ease up the Government's so far creditable Irish policy, and the Welsh Nationalists have only three MPs. The national interest would not be served by having a "lame duck" government staggering from week to week and vote to vote.

I can understand the upset among Liberals at losing the PR for Europe vote, but their anger should be directed to the Tories who deliberately engineered its defeat. In my view the right course for the country and the party is to let the inflation crisis through, thereby adding a new dimension of credibility to the Liberal appeal in a general election.

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Can France's hovercraft challenger steer clear of the rocks?

The French challenge to Britain's cross-Channel hovercraft supremacy, seemingly so serious a year or two ago, is in imminent danger of collapse. Their chief hovercraft designer, M. Jean Berthoin, is dead. One of their big new N500 craft has been destroyed by fire and the other (both were supposed to start on the Channel this year) has yet to begin service trials. The Sedan Company which built them has suffered a financial collapse, and the Dubouge group which took over at the request of the French Government is also, like most ship-builders, having troubles.

Until the remaining craft had carried out extensive trials on the Channel, French hovercraft designers who had their eyes twisted to buy this one, are reluctant to spend up to £15m on another. Meanwhile, there are no further orders, and the French government, which has already put up £10m towards development costs but undertaken to keep the 300-strong workforce at Fécamp only until the end of the year.

All this is against a background of the Channel that has never looked rosier. British Rail Seapacer, whose ship, the *Sedan*, has been lengthened, doubling capacity to over 400 passengers and 60 cars each—about the same as the N500. Hoverlloyd, with four widened N4s, carrying over a million passengers a year and expect a £500,000-£750,000 profit. Last flights through unavailability are down to 1 per cent, and weather cancellations to less than 3 per cent.

In the peak month of August these two operators (Seapacer with one craft, half its fleet—out of service for lengthening) carried over 24 per cent of cars and 25 per cent of passengers. Hoverlloyd, with over 40,000 cars and 250,000 passengers, increased carryings by about 25 per cent over the same month

in 1976, greater growth than any other operator. It all comes as a pleasant surprise to those early critics, that within 10 years hovercraft will be carrying half the Channel's passenger and car traffic, for which 10-20 big new craft would be needed, plus opportunities elsewhere in the world. Are the French going to give that up?

Probably not. But it could be that as a result of a chain of

looking increasingly to year-round freight ferries with limited passenger accommodation, supplemented by high-capacity passenger craft for summer only. The hovercraft, easily laid up and with few crew, might have been designed for just such a role. It would therefore not be surprising, though European Ferries' chairman, Mr. Keith Wickenden, professes little public faith in the hovercraft's future, if he were among those believed to be interested in a bid for Hoverlloyd.

Clearly it is not impossible that within 10 years hovercraft will be carrying half the Channel's passenger and car traffic, for which 10-20 big new craft would be needed, plus opportunities elsewhere in the world. Are the French going to give that up?

Probably not. But it could be that as a result of a chain of

misfortunes they may miss out on not only one of the hovercraft's (1960-1970) but also its two (1970-1980); and that they will not really make their presence felt all at three.

The French are desperate for more orders, without which they cannot move from development to real production. But the N500, while undoubtedly of advanced design, is a virtually untried craft, which may need substantial modification.

It is not just sour grapes for Britain's hovercraft sales, who will be watching the N500's eventual debut with avid attention, to suggest after 20 years of blood, sweat, toil, and tears, that the French may have some misfortunes still to come.

Michael Bailey

Shipping Correspondent

Mr Whitlam pays the price for getting too far ahead of Australia



While the dismembered Australian Labour Party starts to bicker about the leadership, the man already almost forgotten and preparing to withdraw for some time at least from the back bench is Mr Gough Whitlam.

His exit from the forefront of Australian politics has been sadly uncharacteristic. Mr Whitlam has always been proud, strong, flamboyant and forthright. Last Saturday, after his second resounding defeat at the polls, he concluded his career with the softly-spoken, almost humble sentence: "I myself will not be nominating for the position of leader."

For supporters of Mr Whitlam it was a tragic moment. After a lifetime of steadily directing himself towards the top, he had been cut down mercilessly at the relatively young age of 61. And for Whitlam supporters, that moment was also the end of any chance of continuing the effort to change Australia's direction. It was a rejection of idealism, and a return to the standards of the Menzies years, now firmly represented by Mr Malcolm Fraser.

In stature, intellect and vision, Mr Whitlam towered above his parliamentary colleagues and was possibly, in Australia anyway, a man before his time. He was a gifted advocate with a strong sense of public duty who was able to take the embittered, over-class-conscious Labour Party of the sixties and transform it into a progressive, aware and intelligent organization attracting immediate support from a much more varied selection of the community.

Within weeks of Mr Whitlam's triumphant election to the Prime Ministership in 1972, after 23 years of Liberal Party rule, the new government made vast changes to Australia's image.

Without any delay at all, Mr Whitlam ended conscription, disengaged from Indo-China, recognized mainland China and adopted a far more independent stance in all areas of foreign policy.

At home, he initiated changes in social welfare, educational opportunity, urban renewal, regional development, environmental and consumer protection, economic rationalization, control over natural resources, support for the arts and a better deal for disadvantaged groups.

For those Australians who had begun to despair of Australia's remaining isolationist, selfish, xenophobic and backward-looking, Mr Whitlam was a long overdue breath of fresh air. Overseas, too, he quickly gained international respect with a combination of strength of personality, modern ideals, articulateness and

quick mind-dness. In Australia, those who liked Mr Whitlam also admired his drive, humour and obvious feeling for people. His detractors complained of his determination to turn everything upside down immediately, and of his arrogance.

The most unfortunate aspect of the Whitlam reform was that it coincided with the onset of the worst inflationary surge and recessionary slump to strike the Western world since the war. Most Australians, stunned by Mr Whitlam's speed at dismantling old standards and endorsing the new morality, tended to blame him outright.

Mr Whitlam had changed things and the country was worse off, therefore the changes had not worked, was the reasoning. This was followed immediately by the severe rumblings of discontent, trauma, and finally scandal with the celebrated Arab loans affair within the Parliamentary Labour Party.

Mr Whitlam had been obsessed with reform. He had neglected the management of those around him, many of whom probably found his too stylish anyway. The Parliamentary Labour Party started to fall apart along with the economy plunging and the people becoming rapidly disenchanted. Panic set in, and the result was sickness and more scandal.

Nevertheless, during all the prolonged agony of the loans affair and its many aftermaths, no one was ever shown to have been dishonest or to have been dishonestly proven. The serious offence proved was subject stupidity, for which Mr Whitlam ultimately had to take the blame and pay the price.

Then came, in November, 1975, his embarrassing dismissal by the man he appointed Governor-General, Sir John Kerr. Mr Fraser had blocked supply in the Senate, Mr Whitlam refused to resign, so he was sacked. It was an event which seemed to affect his resolve and from which he never recovered.

Even two years later, during this last campaign, the thrust and seal of Mr Gough Whitlam, the giant reformer of the early seventies, had disappeared. He seemed to be appealing to the electorate to give him another chance, rather than demanding it.

New only remain to be seen if Mr Gough Whitlam will lie down and watch Australia gradually return to its Conservative position of pre-1972. For it is unlikely that a Labour government will be returned within the next few years, and it is even more unlikely that any leader Labour can find will have the impact of Mr Whitlam.

Douglas Aiton

The rich aromatic, bittersweet chunks of Frank Cooper's Oxford Marmalade have made the British breakfast a matter of envy the world over. Ever since Mrs Cooper filled the first jars in 1874, the men of Oxford have spread its fame in the tropics, the New World as far as the Antarctic and Everest itself.

FRANK COOPER

makes the marmalade that makes the British breakfast

FRANK COOPER'S "OXFORD" Coarse Cut MARMALADE

When a United Nations committee the other day settled into a solemnity of discussion of unidentified flying objects (UFOs), they were reflecting a belief in extra-terrestrial intruders which is now held by more than half of Americans. In what is in some respects the most sophisticated country in the world, a recent poll showed that 56 per cent of the people believed that UFOs existed and had some inter-planetary connexion.

Moreover, 11 per cent of Americans—including President Carter—claim to have seen one. Now the latest smash-hit film, *Close Encounters of the Third Kind*, concerns itself with visitors from space in an ambiguous way which leaves spectators doubtful whether it is supposed to be taken as truth or fiction.

These, then, are inauspicious times for sceptics, which is what Dr Paul Kurtz, Professor of Philosophy at the State University of New York at Buffalo, boasts himself to be. As chairman of the committee for scientific investigation of claims of the paranormal, which has found no proper evidence for the existence of UFOs and tries to counteract the nation's increasing credulity about this and other pseudo-scientific phenomena.

Dr Kurtz edits two magazines, *The Humanist* and *The Zetetic*, whose chief function is to investigate and generally debunk

the claims of believers in the occult and the paranormal. He writes that "the credulous publicity given to such phenomena gives the public no chance to hear dissenting or sceptical scientific judgments."

A newspaper widely sold in a supermarket, the *National Enquirer* (broadly comparable with *Reveille* in Britain) comes out week after week with excited headlines alleging some happening which defies scientific explanation.

Dr Kurtz maintains that they are nearly all rationally explicable, if only the scientific method is given a chance to explain.

There are numerous manifestations of this move towards a belief in the unbelievable. The mystical religions of the East have been in vogue among some young people for several years. More than a quarter of Americans are convinced of the efficacy of astrology.

Transcendental meditation and extra-sensory perception boast a wide circle of believers, as do more recent pseudo-sciences like parapsychology and psychic surgery. There is a resurgence of faith in life after death (again encouraged by the President).

"There may be a major shift in outlook occurring," says Dr Kurtz. "It may not just be a media event but something much more profound. The scientific view of the world is being profoundly modified in many respects, and is being replaced

by a magical and spiritual view of the universe in which occult and magical forces are seen to be at work."

"We could be headed for a total abandonment of the notion that there are objective standards of knowledge; a collapse of the consensus about what constitutes a test for truth."

Dr Kurtz observes that belief in the paranormal can be therapeutic, a modern substitute for old-time religion. "People seem to find relief in joining an authoritarian group which tells them what is truth. They see science as a way of creating products and doing wondrous things. There is no idea of science as a rational process."

The difficulty with using scientific methods to refute pseudo-scientific belief is that there are seldom mutually accepted tests. Scientists, even of the thoroughly conventional kind, are notoriously ready to criticize the methods of experiment of other scientists with whose conclusions they disagree.

The most notable example of this is in the dispute over the so-called "Mars effect" on asteroids. Research has been carried out which seems to show that a disproportionately large number of sports champions in France and Belgium were born when Mars was in a particular position in the heavens.

If true, this would be powerful evidence in favour of astrology, seen by sceptics as a pseudo-science. Yet when Dr Kurtz and two colleagues looked at the evidence they found that it all hinged on the birth figures for the Paris area, and that these were for various reasons incomplete. Now they are doing a study of sports champions in the United States to see if the Mars effect is apparent there.

Dr Kurtz points out that there is a large vested interest in astrology, which is big business nowadays in the United States. "We find little evidence for the claim that horoscopes are true, but that you can predict the future or gauge personality based on them," he says.

A dispute over testing methods was also part of the controversy over Uri Geller, the Israeli who amazed people in Europe and the United States for a while a few years ago. Dr Kurtz says that Geller's tricks, including the famous spoon-bending, have been duplicated by a magician on his committee.

As for UFOs, Dr Kurtz says that investigations show 94 per cent of sightings to have a rational explanation, and in the remaining 6 per cent of cases the evidence is unreliable. What President Carter saw in 1969 (although mysteriously, he made no report on it until 1973) was most likely Venus, which is extremely bright and which would that night have been in about the position in which he saw the unexplained bright object.

Dr Kurtz predicts that the success of the film *Close Encounters* will result in an upsurge of UFO sightings. "They're not going to want what they mind-set."

He has seen the film and characterizes it as basically religious, in that it seems to require faith in "a new space-age religion, with mystery, miracles and divine beings from another planet."

It embraces many occult myths, such as the Bermuda triangle (thought to be an area where planes have mysteriously disappeared), cattle mutilations (which some think are perpetrated by extra-terrestrial visitors), thought transference and telepathy.

"It's full of mystical symbolism," he said. "Everywhere are lights and music and salvation. Everyone is transfixed by the splendid visions from outer space."

Dr Kurtz is anxious to defend his committee against the charge that they have closed minds, that they prejudice issues and are not prepared to admit that anything exists which is beyond their understanding.

"We don't object to UFOs," he said. "We'd love to have them. We say that it is possible we have been visited by UFOs. It is probable that there is life elsewhere in the universe. But we have found no evidence that we are now being

visited by extra-terrestrial beings."

Some of the committee's recent criticism has been directed at the National Broadcast Company, one of the three national commercial television networks. They have, says Dr Kurtz, been producing programmes about the paranormal which treat as fact what is mere supposition.

One programme was about psychic surgery, practised mainly in the Philippines. Surgeons grope into a patient's stomach and produce blood and entrails, leaving no scars. Sometimes patients say they feel better, although in some cases the blood and entrails have been shown to belong to chickens.

The trouble is that the denunciation of such practices never makes for such gripping reading as do the claims of supernatural happenings. "The paranormal is big business," declared Dr Kurtz, "and making a copy of a magazine advertising for sale palmistry, Egyptian amulets, pyramids with beneficial occult powers and self-yourself acupuncture kits, 'they make a lot of money at it.'"

"If a believer writes a book, he'll sell a million copies. If a sceptic writes a book denouncing it, he might sell ten thousand." That is why Dr Kurtz and his colleagues have an uphill struggle, as reason often does.



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AN INDUSTRY IN DISARRAY

Several of the western world's industries are in decline. For some, the problems are longstanding, like those afflicting the woollen and cotton manufacturers of Yorkshire and Lancashire. Others have moved into difficulties in more recent years: notably shipbuilding. Even the newer industries, whose development has been linked with the technology of the space age, have begun to suffer. The frenzied efforts to turn Hitachi away from these shores reflect the insecurities of our television manufacturers.

No industry, however, has problems quite as bad as those of steel. As *The Times* today seeks to demonstrate, elsewhere in this issue, virtually all the world's leading producers are affected. The engineering advances made during and since the war, coupled with the wartime devastation caused to facilities in continental Europe and the birth of Japan as a major trading nation, came together to produce a new breed of highly efficient steelworks.

In Europe many nations, but notably the industrious Germans, erected new plant literally from the ground up. The Japanese, with virtually no indigenous sources of basic steelmaking ingredients, launched ships of unprecedented size to bring raw materials to their huge new integrated coastal works. The world's ability to produce steel has been further increased by the developing countries' decision to save works of their own. Indians, Brazilians, Venezuelans, and now even South Koreans have installed blast furnaces and rolling mills, mostly of very modern designs and rightly manned by very cheap labour.

All this activity has gone forward at a time when steel's traditional markets have been eroded. Naval architects have sometimes opted for aluminium

superstructures on their ships; plastics have increasingly been used in car manufacture, and in buildings where, reinforced concrete is often preferred to steel girders. In the 1970s the world recession has lowered overall demand, so that capacity for making steel far exceeds demand.

Past experience shows that recessions such as the current one are cyclical. Much of the existing spare capacity will be needed again when the revival occurs. But it is doubtful in the extreme whether Britain will benefit when the wheel turns again. Old plant, overmanning and relatively high wages make us uncompetitive.

When the war ended, Britain emerged with much of its capacity for making steel fundamentally intact. The privately owned companies were slow to introduce the new techniques which American managers advocated and which were logical in the resurrection and birth of the German, Italian, French and Japanese industries.

Our productivity is now abysmally low. The Japanese steelworker produces nearly three times as much liquid steel as his counterpart in Britain, and the ratio is worse in finished products. The American makes more than twice as much, and the Dutch, the Italians and the Germans are catching up with him. The British Steel Corporation would already have become insolvent if the undertaking were not state-owned. When the world economy turns up, the orders will go to the most efficient manufacturers, and however the figures are juggled they do not include Britain.

What, then, is to be done? Inevitably there will be a clamour for protection, but that does not seem to offer an answer. If a Japanese producer is denied access to this market for his semi-finished steel, he

will use the material at home to make low-priced cars and ships for export. Behind him stand producers in other countries like Korea, where still lower-labour costs, coupled with ultra-modern facilities, pose threats even to Japan.

First priority must go to the closure of Britain's uneconomic works. Attempts to do this have been bedevilled by the understandable anxiety of trade unions, and by political considerations: increasing the dole queues in Wales, and Scotland? Does nothing to dampen the fires of nationalism. Yet the facts must be faced. Without higher productivity, there is no future for Britain as a steelmaking nation.

Sound arguments have been put forward by many respected steelmen for moving away from the large, integrated coastal works advocated by the late Lord Melchett and embraced by Sir Monty Ministon, his successor as chairman of British Steel. But it is doubtful whether the development of the five complexes at Port Talbot, Llanwern, Ravenscraig, Redcar and Scunthorpe can or should be put into reverse. Strikingly, losses at the Anchor site at Scunthorpe were last year as low as 70 pence a ton, compared with £46 at the most uneconomic plants. There may well be a case, however, for lowering still further the nation's ultimate capacity target.

Serious consideration must also be given to the advisability of retaining a lack-of-allergies, where steel manufacture is concerned. Strategic considerations alone preclude the abandonment of steelmaking. But do we really need to remain active in all areas? Should we not cede the production of some basic steels to Third World countries, and concentrate on high value products like special and stainless steels, where we still have valuable expertise?

MR BEGIN MAKES HIS MOVE

The negotiations between Israel and Egypt are now running like a fast train towards an unpredictable destination. If everything goes well a sufficient number of other people will gradually climb aboard to permit a ceremonial arrival at a full and comprehensive settlement. But the line could still peter out in the Sinai desert with a bilateral agreement which nobody else accepts, or there could be a nasty crash in which President Sadat falls and the survivors have to walk back to the starting point in a worse mood than before.

Mr Begin's visit to Washington has kept the train in motion and on the rails, which is valuable, but it has not yet brought a sure destination into view. Nor could anyone reasonably expect it to at this stage. There are still many unsettled issues between the two partners and many uncertainties about the attitudes of other interested parties. Mr Begin is clearly making an effort to respond flexibly and with good will to President Sadat's remarkable initiative. Although vague on details the lines of his thinking are gradually emerging. He is prepared to hand over a demilitarized Sinai to Egypt in exchange for peace and recognition, a leased corridor to the Gulf

of Aquaba, and a buffer zone along the Golan strip. This should be a relatively simple matter. Much more difficult is the problem of the West Bank. He talks of self-rule, autonomy, and free elections but apparently with some kind of Israeli responsibility for security and with a continuing right of Israel to settle in the area. Also in his mind is some kind of self-government by religious bodies of the holy places of Jerusalem.

Presumably none of this represents an absolutely fixed position. Certainly his ideas on the West Bank and Jerusalem are not fully acceptable in their present form. Nevertheless, they leave room for negotiations to continue, and both sides have in fact agreed to go on talking. This in itself is progress. But the problem remains that they must not only agree among themselves but also produce a package which will maintain momentum towards a fuller settlement. Peace between Egypt and Israel alone will not be secure for either. Israel would face continuing hostility from Syria and the PLO. Egypt could lose even the support of the Gulf states. The "refugees" who foolishly excluded themselves from the Cairo talks must therefore be won over or split.

Mr Callaghan caught the lifeline he was thrown as he would have accepted it from Beebeeb himself. They were the two principal parties to the pact, and their very different personalities and contrasting political expertise were factors in the truth that the pact was made. Of Mr Steel it may be said that nobody needs to agree with his politics or his judgment to like him. He is a profoundly serious politician, as his son of the same name and he would consult his conscience before he looked at opinion poll figures or by-election results. His integrity has never been questioned, and he says that for himself the pact had more to do with national interest than with Liberal interest, then we may accept it.

Mr Callaghan, on the other hand, is the most experienced party political manager and manipulator we have seen in the modern era of practice, having the trade union world as well as at Westminster, in dividing where his only interest and any voting majority is to be found. He is always a realist and always a pragmatist. He has offered a parliamentary pact he does not fail to recognize that he was being given the time needed to see an economic recovery before he went to the country in a general election. It is no criticism of Mr Callaghan to say that the pact served as a complete answer to his critics in the parliamentary Opposition and in his own Tribune Group. Only the resignation of Mr Michael Foot could have ruined the deal, and Mr Foot had in 1974 accepted ministerial captivity.

No wonder, then, that Mr Callaghan last week gave short shrift to Mr Steel as the Liberal Party became restive about an unfruitful pact. The Liberal Party, the Prime Minister said, must be Mr Steel's problem, not his. And Mr Steel has to go back to his party, after the overwhelming Commons vote for first-past-the-post in European direct elections, and justify himself before a special conference in January. He goes back in weakness. Mr Callaghan no longer has desperate need for Liberal votes in the Commons, because the economy may not be coming quite right but is at least presentable if he chooses a general election date soon after Mr Healey's spring Budget. The usefulness of Mr Steel and Liberal votes in the Commons is virtually at an end.

David Wood

Mr Steel is reaping what the pact sowed

Whatever the rights and wrongs of the Lib-Lab pact from strictly the Liberal point of view, one or two statements ought to be beyond argument. First, that having fashioned the pact in March 1977, either for the national interest or crude self-interest, it would be necessary to find a tolerable pretext for breaking it before any general election in 1978, or else develop it into an electoral pact wherein a grateful Mr Callaghan and Labour national executive committee would grant Liberals a straight fight against Conservatives in chosen constituencies where they ran in second place.

Secondly, that the Liberal rank and file in the country as well as the platoon of Liberal MPs in the Commons, would inevitably be split by controversy over the pretext for disengagement or by any attempt to move forward to an electoral pact, and that in any such controversy Mr Steel's leadership, which has not yet sunk deep roots or gained much authority, would be up for auction. So much was from the beginning predictable. So much now begins to happen. There has been a valid Liberal case for a Lib-Lab parliamentary pact in March 1977, on grounds of both national and party interest. The International Monetary Fund had effectively ordered an end to socialism of the wider sort, and the prospect was that a national Labour Government would, within a year or so, succeed in curbing inflation, keeping a damper on wages, and floating out of an economic maelstrom on a surge of North Sea Oil. All the Government needed was a stable parliamentary majority in the Commons until the date of the General Election came near.

Mr Steel offered that stability, and

The question remains whether the Liberal Party has gained anything from the purely parliamentary pact that probably saved the Government from annihilation in a 1977 election. That will be the crucial decision for the Liberal Party.

With the best will in the world, some of us have difficulty in knowing what Liberals stand for now, days of Liberal glory. The fact that many of our members are now in the Liberal Party, and that they had to choose between moderate socialism and Conservatism, would not hesitate to go for socialism on apparently all but a few economic questions, as has been the case with the encouragement of the small businessman, and co-partnership in industry. They appear not to have reckoned with the fact that Mr Reg Prentice, did not use the Liberal Party as a halfway house when he deserted Labour, and that Professor Max Beloff, a born Liberal if ever there was one, left the Liberal Party to finish up in the bosom of the Conservative Party.

The rationalization by Mr Steel and his parliamentary supporters for prolonging the life of a nationalizing and, at its potential worst, anti-liberty party and Government, has been painfully inadequate, especially if (as Mr Steel agrees) they must disengage Liberalism from Labour before next general election comes. If it was worth maintaining Labour in office so that it would have a better chance of winning the next general election, why go to the special Liberal conference in January to hint that it need be Liberal parliamentarians would also keep a minority Conservative minority in power?

Mr Steel should not be blamed too much. Long before he became leader, Liberal parliamentarians and strategists had accepted that their one hope of exercising effective influence on government, as a Commons minority in a hung Parliament, was to enter into a pact with some other party. But in doing so they have compromised themselves, and when the next general election comes Liberals in the country are likely to say that they must either choose a new leader or choose between the two main parties. Pacts have always killed off Liberalism. Twentieth century history is our teacher.

Hospitals are for patients

From Mr John W. Jackson
Sir, Dr Francis and his colleagues (December 13) outline a problem that I have experienced in a number of National Health Service hospitals.

Too frequently a team of surgeons and anaesthetists may wait 45 minutes for a patient to be collected from the wards because no porter is available or it is his lunch time. It is not uncommon for a straightforward endoscopy list of six cases to take two and a half hours and yet in a private hospital, where the British Society of Endoscopy and its colleagues have managed to do six such procedures inside an hour.

Patients have to be looked after and the work has to be carried out, and this is still being achieved by the medical and nursing staff continuing to work on into late hours. The long after the administrative staff have gone home. In many of these discussions we hear about "workload", "bed occupancy", "theatre time", and these and similar terms are used more commonly than those simple words, "patients", "surgeries", and "doctors", and after all that is what the Health Service is about.

Yours sincerely,
JOHN W. JACKSON,
Harfield Hospital,
Harfield,
Middlesex.

From Dr R. E. R. White
Sir, Like Dr R. S. Francis and colleagues, the consultant medical staff of the medical and nursing staff continuing to work on into late hours.

daytime attention to the effect of extended holidays on patient services. The Birmingham Area Health Authority (Teaching) has agreed to holidays on (1) the first Monday of each month, (2) the first Monday of each quarter, (3) the first Monday of each year, (4) the first Monday of each decade, (5) the first Monday of each century, (6) the first Monday of each millennium, (7) the first Monday of each eon, (8) the first Monday of each aeon, (9) the first Monday of each epoch, (10) the first Monday of each era, (11) the first Monday of each age, (12) the first Monday of each period, (13) the first Monday of each epoch, (14) the first Monday of each era, (15) the first Monday of each age, (16) the first Monday of each period, (17) the first Monday of each epoch, (18) the first Monday of each era, (19) the first Monday of each age, (20) the first Monday of each period, (21) the first Monday of each epoch, (22) the first Monday of each era, (23) the first Monday of each age, (24) the first Monday of each period, (25) the first Monday of each epoch, (26) the first 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BY THE FINANCIAL EDITOR

A gilt-edged Christmas

It would be wrong to describe the equity market as gloom-laden but there has certainly been precious little that one would call festive about the run-up to Christmas this year.

The overriding reasons for this are two-fold. First, the corporate Santa has consistently failed to produce the kind of profits growth the market had been looking for earlier this year. Second, markets tend to respond defensively to any upturn in short-term interest rates and these have now bounced quite sharply off their early October "lows", albeit that they are generally expected to soften a little early in the new year.

What has added to the general reluctance to commit substantial new funds to equities—except by those chasing some rather large investment trusts—has been the more than usually divergent views on where the equity market is likely to go in 1978. On our view of next year's prospects, more anon. But at the moment I would think that inside the market one could find a far wider than normal range of views as to the likely return for the FT Index a year hence—and rather less confidence than this time last year in the making of those predictions.

Meanwhile, in the gilt market November's gloom has been rapidly cast aside and the successful resumption of funding by the authorities has rapidly been tempting the bulls back into the arena. The latest Gilt Edged Review from Seabag, for instance, suggests that those who argue that the bull market in gilts is over will be proved quite definitely wrong.

One of the grounds for their case is their belief in the "continued conservatism in Labour economic thinking". In short, Seabag clearly believes that the Government will think twice about the degree of inflation they should introduce next spring. It is a line also followed by Messel, who, in their latest weekly *Gilt Monitor*, argue that the main worry for the market is the rapid establishment of a press consensus that the gap between the £8,600m public sector borrowing requirement ceiling for 1978-79 and the prospective outcome of £6,800m implies automatic tax cuts of £1,800m in April.

Certainly, were the Government to opt for taking up the whole of the slack available within the PSBR ceiling, there would, as has been argued here before, be good reason for the market to hesitate: there would then be a very serious risk of fiscal and monetary policy proving incompatible.

Dalgely

The logic looks impeccable...

Dalgely has announced plans for four acquisitions in the space of a fortnight. The timing is coincidental as talks for each



Mr David Domeo, chairman of Dalgely.

started at varying times—one going back eighteen months—but their nature emphasises the group's philosophy in its attempt to minimise its exposure to Australia where 76m of capital is tied up producing a nil return.

Federated Chemical fits into these plans neatly indeed. Although technically it appears a far cry from the group's philosophy in its attempt to minimise its exposure to Australia where 76m of capital is tied up producing a nil return.

Not all British companies can expect such pretty seasonal compliments though. Marion Giordano, a British consumer educationist and organiser of the conference, plans to expose to the gathered European consumer educationists the issue of teaching material for use in schools which is designed to "get at" children in their classes and sell them products which might, in some cases, even be harmful to their health.

The subsidized teaching materials which both Mrs Giordano and her husband, Mr. Gordon, are cheap and attractive, making ordinary school books look dull, but have in their main "educational" message the manufacturer's name and the names of products.

Typical is the Matron's Teaching Aid, produced by the cooked meats people, in which every recipe features one of the company's products and every picture shows the company name.

The British Sugar Bureau will be rapped for their "Story of Sugar" series for primary schools, which associates sugar with energy without mentioning any drawbacks of sugar consumption.

Despite increasingly shrill lobbying by Distillers, the Scotch whisky group, the European Commission is expected to rule either today or tomorrow that the company's dual pricing policy is in breach of EEC competition laws and must cease forthwith.

In the face of the apparently cast-iron legal case of the commission's competition department, Christopher Tugendhat, the former Conservative MP turned EEC budget commissioner, has conceded defeat in his rear-guard attempt to block, by modifying, the ruling against Distillers.

Tugendhat had argued that Scottish sensitivities as well as the economic impact on an important British exporter, needed to be taken into account. But his colleagues, and especially Luxembourg's Raymond Vautel in charge of competition policy, were not prepared to give way. Even a suggestion that the commission's decision should be

a better yield, and increase in capital value from around 50p when talks were first announced to 69p.

For Dalgely the deal is almost a back-door rights issue. The issue of shares worth £10.3m picks up net assets of more than £3m plus a net £6.7m from the sale of Federated's 12.8 per cent stake in Tioxide, to ICI and Lead Industries.

For very little outlay therefore, Dalgely increases the chemical section of its United Kingdom business to sales of £75m and profits of around £3m while increasing its ability to build further on the United Kingdom base.

The overall plan is to maintain a relationship of roughly one third assets and profits in the United Kingdom with two-thirds overseas. United Kingdom assets have been increased tenfold in the last seven years to £76m at the last balance sheet date at June 30. Acquisitions since then of the Murphy Chemicals business from Glaxo, George Sellar, a small agricultural equipment merchant, and Federated, will be balanced by further acquisitions overseas to follow the purchase of Kelley Farquhar, a United States frozen food group a fortnight ago. Thus the United States is likely to be built up at the expense of Australia while in the United Kingdom the increased move into chemicals is adding a strong fourth leg to the interests in malting, livestock and agriculture.

The logic looks impeccable but it still has to show through in results. Dalgely only made £17.1m profit last year having reached £19.2m three years earlier.

Timber

At bottom of the cycle

For timber companies the trading climate is proving every bit as exciting as the market dared to predict.

With the building recession still biding hard, the slide from last year's healthy profits levels has been sudden and sharp. Interim figures from major groups in the past few weeks have reflected profit falls ranging from 2 per cent in the case of Montague L. Meyer to over 60 per cent in the case of May & Hassell and Phoenix.

Activity in the highly cyclical timber industry, however, has been in a trough rather longer than the profits record suggests. Last year's sharp profits recovery was based largely on the demise of sterling producing fairly substantial stock profits with the help of adroit buying policies.

That situation has now been turned on its head with a strong pound and devaluations in supplying countries like Sweden, Finland and Portugal creating competitive pressures which are hurting margins. With no real signs of an upturn in housing, none of the leading groups is predicting anything but a worsening United Kingdom scenario for the remainder of the year.

But with lower interest rates easing the pressure on financing charges while stock levels are being held to a minimum in most cases, leading groups seem to be almost through the worst, and without recourse to the kind of rationalization which seemed imminent less than a year ago.

If housebuilding and renovation activity begin to turn up even slightly through 1978 the effect would be multiplied several times in terms of profits such is the effect of the industry's gearing.

Some yields in the sector are comfortably above the average in the building materials group of under 6 per cent and with comfortable cover maximum dividend increases this time are not likely to be vulnerable.

Among the major concerns both Meyer yielding 84 per cent and Mallinson-Denny, which yields 9 per cent, offer attractions given their powerful timber buying capabilities and wider spread of interests. In fact Mallinson which actually increased pre-tax profits 10 per cent at the interim stage thanks to overseas contributions and lower susceptibility to softwood price movements is confidently predicting further improvement in the second half.

On the basis that full-scale rationalization in the industry may have only been deferred rather than cancelled International Timber in which Meyer has a stake of over 10 per cent and Phoenix in which Royco now has 25 per cent have speculative attractions.

Business Diary in Europe: Lesson for the advertisers

The European Commission is organizing its first colloquium on consumer education in schools at the Grosvenor House in London today and tomorrow. Inconveniently close to Christmas, you might suppose but by all accounts the assembling Eurocrats are delighted to have an excuse to be in London, and within walking distance of the Christmas consumer delights of Marks and Spencer and Selfridges.

Not all British companies can expect such pretty seasonal compliments though. Marion Giordano, a British consumer educationist and organiser of the conference, plans to expose to the gathered European consumer educationists the issue of teaching material for use in schools which is designed to "get at" children in their classes and sell them products which might, in some cases, even be harmful to their health.

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"I see that British Leyland and Renault are thinking of further cooperation. What's the French for 'strikes'?"

postponed until the new year, so as not to introduce an unreasonable note into the Christmas festivities, which traditionally see a sharp increase in demand for Distillers' products, was rejected by the story-heard guardians of the Treaty of Rome.

The Commission remains unimpressed by Distillers' argument that it will have to add 50p a bottle to the price of Scotch in Britain and that discriminatory taxation in other EEC countries justifies the higher price the company has charged hitherto on the Continent.

One of the more puzzling episodes in recent German banking history has been the failure of the attack by the state-owned North Rhine Westphalia against the foreign business of Westdeutsche Landesbank of Düsseldorf.

It was twelve days ago that

Mr John Connolly, the former United States Secretary of the Treasury, and his friends in 1971 that the International Monetary Fund was "like a museum in which anything that wasn't stuffed ought to be". Today the fund commands much respect among its 122 member governments, and from the United States Treasury.

In appointing Dr Johannes Witteveen as managing director of the IMF in the summer of 1973, the finance ministers of the leading industrial countries were not aware of the tarnished image of the fund, its difficult tasks in monitoring the new floating exchange rate system and the challenges before it in helping to construct a new monetary regime.

It did not envisage (nor could they have envisaged) the massive problems the fund would confront as a result of the 1973-74 oil price increases and the 1974-75 global recession. Dr Witteveen, who was nobody's first choice, has astonished almost everyone by the skills he has displayed in enhancing the fund's influence, in ensuring the satisfactory conclusion of the negotiations on changes in the fund's articles in Jamaica in 1976, and in forging agreements on the fund's financial resources. Because of a serious illness in his family and for other personal reasons the managing director has decided to retire next summer and find a successor to pass his baton.

In the next few weeks EEC finance ministers are likely to agree upon a candidate who will assuredly be offered a five-year contract starting next autumn. In selecting the man for this difficult job the finance ministers will have to think about the fund's future and the fund is likely to encounter in the next few years.

The greatest challenges facing the IMF's new head will fall in the political area. Once again the fund's influence and standing are under attack and the consequences of ill-considered or ill-timed actions by the fund's leadership could be grave. Increasing numbers of countries are being forced to seek credit from the IMF as their passport to raising funds in the private capital markets.

The commercial banks are providing most of the international balance of payments finance today, but the bankers are becoming wary of increasing numbers of countries being forced to seek credit from the IMF as their passport to raising funds in the private capital markets.

There appears to be an increasing number of governments which see the IMF as a bully that strives to impose over-harsh credit conditions. Serious domestic political problems seem to be developing in many countries as governments try to explain the IMF's role to the public and the IMF's role to the public.

To pressure governments too much, as the IMF may well be doing in Portugal and Greece, could result in countries failing to honour their IMF commitments once they have obtained loans. Such a development could undermine the confidence of banks and other lenders in the IMF's role.

On the other hand, the failure of the IMF to demand policies that offer some real hope of balance of payments adjustment by debtor countries would seriously undermine the confidence of bankers in the IMF itself.

Thus the fund must walk a dangerous line, imposing conditions on its loans that are both adequate in economic terms and also politically acceptable to borrowing nations. The new managing director of the IMF will need substantial political experience and a strong grasp of economics if he is to succeed in this task.

On the basis that full-scale rationalization in the industry may have only been deferred rather than cancelled International Timber in which Meyer has a stake of over 10 per cent and Phoenix in which Royco now has 25 per cent have speculative attractions.

IMF in search of a leader



Dr Witteveen: Nobody's first choice but he has enhanced the fund's influence

The IMF could loan greater amounts for longer periods than it is possible that its credit conditions would become more acceptable to many of its borrowers.

The governments able to supply the IMF with finance appear to have appreciated this point in agreeing recently to the establishment of a new IMF supplementary facility that can loan funds for longer periods than has traditionally been the case.

The resources of the fund today are dangerously low given the scale of the intervention in the international balance of payments adjustment picture and the prospect of huge deficits for many of the industrial countries for several years to come. This has put new emphasis on the IMF's political skills as well as its economic skills. It is also being challenged as he strives to persuade the richer IMF members to provide the fund with much more money. Dr Witteveen, despite his evident skills, was only able to induce the richer governments to provide the IMF with modest sums from time to time (modest by comparison with the overall scale of international debt by nations) and the new round of quota increasing discussions which are about to start and which are unlikely to be concluded until the IMF chief is firmly installed, are going to be exceptionally difficult.

In the next few years it seems likely, irrespective of the result of the quota discussions, that the IMF will have to continue to seek more and more funds from its richer member governments. The extent to which it can do this will depend on the willingness of commercial bankers to continue providing thousands of millions of dollars to deficit countries. The IMF may have to forge some kind of closer relationship with the commercial bankers, possibly with a view to joint lending operations or even direct fund borrowing in the private capital markets. To enter into such ventures and even to maintain the confidence of bankers in continuing to lend vast sums for balance of payments purposes, it is essential that the chief of the IMF have a sound grasp of banking and of the ways bankers think.

But it seems that the main reason for the row was an attempt to carve out a bigger role for the state in the supervisory council of the bank. The state shares responsibility for guaranteeing the bank with the savings banks and local authorities associations in North Rhine Westphalia.

The third group has long been a thorn in the side of the state government because it believes that in an emergency it would have to provide the cash for their share of the guarantee.

So Düsseldorf chose to make a frontal assault on the Westdeutsche's foreign activities to assert itself as the leading guarantor. In so doing it reinforced the arguments of those who see only harm in an increase in state influence over German banking.

France may be in the throes of its toughest and longest electric strike but that has not stopped the industry's authority looking to the future. Electricité de France has just placed an order with a subsidiary of Thomson CSP for a 14.5m franc (£1.6m) switchboard for a nuclear generator.

It is a magnificent switchboard, which will enable the engineers running it to deal with potential disasters such as a fracture of the cooling system in the heart of the reactor. It has been designed to meet any emergency: except one. And that is actually being used in a nuclear power station.

The switchboard is only a simulator to train technicians how to run the real thing. Perhaps, if the strikes continue, it will be as useful as the real thing.

W German railways overruns the spending buffers

With its overall cost to the country now soaring beyond £3,000m a year, West Germany's national railway system, the Deutsche Bundesbahn, has abandoned hope of eliminating even its nominal deficit by 1985. That was the objective set by the federal government in last year's plan for a drastic contraction of the system, but the DB directorate now says it is impossible to attain by closures alone.

The railway needs help to modernize and rationalize its operation more speedily, in particular to reduce its excessive manpower; and the terms of competition must be modified to give the railways a fairer crack of the whip against other modes—land and water transport—especially— which bear far less of their true track costs.

The railway's demerch has been prompted by the certainty of poor financial performance in 1977. Its passenger traffic is holding up and in fact shows slight improvement in inter-city rail travel, but the freight sector is hard hit by the recession in heavy industry. Since 1964 full wagon-load business has slumped from 191 million tonnes to this year's anticipated figure of 140 million tonnes.

The nominal deficit for 1977 is expected to be 4,570m Deutsche marks (£1,130m), an 18 per cent deterioration compared with 1976. But that balance is struck after taking into account DM270m by way of various federal tax supports railway companies. Added to these two amounts further federal grants for investment and track upkeep, plus provincial and municipal finance of the country's urban rail development and the full social cost of the DB, seen through British eyes, probably exceeds £4,000m.

Not that West German public opinion interprets the figures anything like so starkly. By and large it accepts a massively supported railway system with a well-paid and protected staff as a natural fact of present-day life.

The gross imbalance between staff costs and uneconomic fare levels is a fundamental factor in the DB's now almost irretrievable situation. Since 1959, the last year in which the railway's books were nominally balanced, the average annual cost of a West German railwayman in wages, pension and other social provisions has risen from quadrupled to DM25,150 or about £3,750.

But on the other side of the sheet, local passenger fares have been so rigorously pegged by the federal government that even after a recent 25 per cent increase—the first for two years, moreover—some users are paying as little as 10 per cent of their full travel costs. The balance, the railway insists, is not fully met by the present, scales of federal compensation.

A 4.2 per cent rise recently announced in inter-city fares is only the first for three years. In this sector the railway has more pricing freedom, but

claims that it is charging to the limit of market tolerance in a country of autobahns, especially since a noticeable erosion of traffic by long-haul buses this year.

Labour-saving modernization and rationalization already carried out makes about 20,000 of the DB's 375,000 workforce surplus to requirements already. But redundancies are ruled out by Government promises at the time the closure plan was issued.

Unsurprisingly, then, staff costs account for 67.7 per cent of the DB's 1977 expenditure; in fact, if one disregards the subsequent federal compensation to make up sub-standard local passenger fares, wages and salaries exceed total traffic revenue by as much as DM5,370m, or 44 per cent.

Physically, the DB has always suffered from the immense handicap of inheriting half railway traffic flows and having to adapt it to West Germany's north-south commercial axis.

Long stretches of now vital trunk routes, such as Hamburg to the south, Cologne to the south-east and Stuttgart to Munich, wind and climb in a way that hobbles passenger train speed and limits traffic capacity to handle freight.

High up the DB's list of priority investments is the building of new, better-aligned railways to bypass the most congested sections and the upgrading of other stretches of main line.

A year or two back the DB was envisaging operation of 150 high passenger trains on these improved trunk routes. Now the nights have been lowered for the foreseeable future to 125 mph, since the railway is intent on maximizing use of the modernized main lines by both freight and passenger trains.

Rather than go for new passenger train speed ceilings, the DB is concerned to narrow the speed band of all traffic. Besides reequipping its freight vehicle fleet for higher speed, the DB is also out to reduce costs by concentrating as much freight movement as possible into 4,500-5,000 tonne trainloads.

G. Freeman Allen

Frank Vogl

Wolseley-Hughes Limited

RESULTS A RECORD

Sales increased by 33.2%

Profits increased by 48.1%

Earnings per share increased by 29.3%

Exports increased by 33.6%

SALES FOR CURRENT YEAR ALREADY SHOW A GOOD INCREASE

	1977 £'000	1976 £'000	1975 £'000	1974 £'000	1973 £'000
Sales	97,162	72,961	62,597	58,299	48,422
Group profit before taxation	6,268	4,233	3,741	3,276	4,325
Taxation	3,288	2,196	2,022	1,742	1,898
Dividends, gross per share	10.15p	9.23p	6.30p	5.72p	5.45p
Earnings per share	22.01p	17.02p	14.95p	13.56p	21.91p
Net tangible assets per ordinary share	187.36p	156.44p	155.05p	143.21p	187.56p
Times dividend covered	3.28	2.58	3.65	3.50	5.03

Wolseley-Hughes Limited is the largest distributor of central heating equipment in the British Isles and manufactures Webb and Wizard lawnmowers, Merry Tiller cultivators, Kidd Grassland equipment, McConnell Power Arms, Nu-Way burners, Hughes wheels and Boxmag industrial magnets.



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Stock Exchange Prices

Capitalization and week's change

ACCOUNT DAYS: Dealings Began, Dec 12. Dealings End, Dec 30. § Comango Day, Jan 3. Settlement Day, Jan 1

§ Forward bargains are permitted on two previous days

(Current market price multiplied by the number of shares in issue for the stock quoted)

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